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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

PART 1—(Pages 1-1256)

ACTION
Corporation for Public Broadcasting
Department of Education
Department of labor
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Commission on Libraries and Information Science
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
President's Commission on the Study of Ethical Problems in Medicine and Biomedical and Behavorial Research
Railroad Retirement Board
U.S. Soldiers' and Airmen's Home

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, FEBRUARY 14, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 3:02 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Rudman.

DEPARTMENT OF LABOR

OFFICE OF EMPLOYMENT SECURITY

STATEMENT OF WILLIAM B. LEWIS, ADMINISTRATOR

ACCOMPANIED BY:
- CAROLYN M. GOLDING, DIRECTOR, UNEMPLOYMENT INSURANCE
- JAMES D. VAN ERDEN, SUPERVISORY ACTUARY, UNEMPLOYMENT INSURANCE SERVICE

SUPPLEMENTAL REQUEST

Senator **WEICKER**. The subcommittee will come to order.

Today we will hear testimony concerning urgent supplemental requests submitted with the budget from the Department of Labor, totaling $5.3 billion.

Our regular fiscal 1984 hearings are scheduled to begin later this month with Secretary of Labor Donovan. At that time we will undoubtedly have questions about the numerous job-creating proposals being discussed, but for now we'll focus on the emergency needs for additional unemployment compensation and related administrative costs.

The chief witness is Bert Lewis, Administrator, Office of Employment Security.

Mr. Lewis, would you please introduce yourself and your associates for the record and proceed with your prepared statement.

Mr. **LEWIS**. Good afternoon, Mr. Chairman. Thank you. To my right is Ms. Carolyn Golding, who is Director of the Unemployment Insurance Service, the Department of Labor. To my left, Mr. James Van Erden, who is Supervisory Actuary of the Unemployment Insurance Service.

We really appreciate your early consideration of the Department's fiscal year 1983 supplemental, Mr. Chairman. With your permission, I have a statement that I would like to enter into the record and I would like to comment briefly on some of the points.

PREPARED STATEMENT

Senator WEICKER. Your statement will be included in its entirety in the record at this point.

[The statement follows:]

STATEMENT OF WILLIAM B. LEWIS

Mr. Chairman, and members of the subcommittee, we appreciate this early opportunity you have provided to present the need for an urgent supplemental for 1983.

Consistent with administration economic assumptions, we estimate a need for supplemental appropriations of $5,033,000,000 for advances to the unemployment trust fund and other funds and $276,100,000 for grants to States for unemployment insurance and employment services.

The need for the advances supplemental is urgent. As you know, the advances to the unemployment trust fund and other funds appropriation provides advances to several accounts whenever the amounts in those accounts are insufficient to insure the timely payment of benefits. The unemployment trust fund account provides for loans for State trust funds and the Federal share of extended benefits as well as funds for the Federal supplemental compensation program. Of the total advances requested, $3,933,000,000 is for loans to States (Federal unemployment account) and $1,100,000,000 is for the extended unemployment compensation account. The $1,100,000,000 includes $800 million for repayable advances for extended benefits and $300 million for nonrepayable advances through March 31, 1983, for the Federal supplemental compensation program.

Mr. Chairman, without your early approval of this supplemental, we will not have sufficient funds to satisfy State requests for loans to pay regular unemployment compensation benefits beginning March 1. We estimate that for the current year we will lend $8.93 billion to 35 States. This exceeds the net cumulative loans to States over the past decade. In the October–December period, we completed loans to 16 States totaling $2.04 billion. We have an additional $4.23 billion in requests from States for the January–March quarter. Therefore, about $6.27 billion of the estimated $8.93 billion for 1983 is already an operating reality.

Of the total loan activity for 1983, four States, Michigan, Pennsylvania, Illinois, and Ohio, account for about 60 percent of the total. Another four States account for about 20 percent of the total. Therefore, of the estimated 35 States borrowing this year, 8 States will account for just under 80 percent of the total.

We know that, because of reforms enacted by the Congress in 1981, States have been considering modifications to improve the solvency of their systems. This has recently occurred in Michigan and Louisiana. However, given the lateness in the fiscal year, any additional State reforms would have little effect on the need for loans during 1983.

As of January 15, there were 21 States paying extended benefits. As the effect of the annual rise in unemployment is reflected in trigger rates, more States are expected to trigger on and begin paying extended benefits this year, most by the end of March, thereby resulting in the need for additional funds.

For grants to States for unemployment insurance and employment services, we are requesting a supplemental of $276,100,000 in contingency funds to meet the additional unemployment insurance workload anticipated as a result of an upward revision to the unemployment assumption for the fiscal year from 8.1 to 10.7 percent. These funds are needed to avoid major delays in payment of benefits to unemployed workers. The requested funds will provide an additional 11,128 staff-years in the State unemployment insurance services to process increased workloads. This supplemental is not as urgent as the advances supplemental, but will be required by May 1983 for contingency purposes; however, if amounts from the employment services and the unemployment insurance services are reallocated, the account as a whole will not exhaust funds until August.

This concludes my opening statement, Mr. Chairman. My colleagues and I will be happy to answer any questions you or members of the committee may have.

SUPPLEMENTAL APPROPRIATIONS REQUEST

Senator WEICKER. Either the sound system isn't that good or you're going to have to bring that microphone a little bit closer to you so that all can hear.

You can proceed any way that you deem fit.

Mr. LEWIS. Thank you. Mr. Chairman, we are here before you, as you indicated, to request fiscal year 1983 supplemental appropriations for two purposes. One is for $5,033,000,000 for States to pay benefits to the unemployed. The other is for $276,100,000 to support additional temporary and intermittent staff to take claims and to pay benefits in the State UI agencies.

The $5.03 billion supplement request for advances to the unemployment trust fund is urgent. The $276.1 million part of the request could wait until later in the year.

First I would like to address the advances supplemental. The $5.03 billion is made up of $3,933,000,000 for loans to States, $800 million for repayable advances for extended benefits, and $300 million for nonrepayable advances for the Federal supplemental compensation program through March 31, 1983 only.

Prudent management would indicate that the advances supplemental is needed not later than March 1. In large measure, this is due to the unprecedented volume of loans being requested by the States because their trust funds are depleted. We estimate that nearly $9 billion will be requested by 35 States this year. We can already account for over $6½ billion of this with loans made to the States and requests already received. Most of the remainder of the advances supplemental is accounted for by economic assumptions just released by the administration in connection with the fiscal year 1984 budget.

As you know, the assumptions contain an estimated average total unemployment rate of 10.7 percent for the current fiscal year and that translates into an insured unemployment rate of 5.4 percent.

There are 23 States triggered on extended benefits now and 9 of those triggered on in the past several weeks.

As many as 40 States could trigger on this year, according to the revised economic assumptions.

The grants to States supplemental would provide an additional 11,128 staff-years for the States to process the higher workloads brought about by the substantially higher economic assumptions. This supplemental may be necessary as early as May.

Thank you, Mr. Chairman. My colleagues and I would be happy to answer any questions you or other members may have.

CURRENT ECONOMIC ASSUMPTIONS

Senator WEICKER. Mr. Lewis, the President has indicated he believes unemployment has peaked and is on the way down. Don't the economic assumptions upon which your budget request is based project a continuing increase in unemployment for several months?

Mr. LEWIS. The economic assumption for this year would show that the current high unemployment levels would stay as they are for a little while and then begin to taper off later in the year and drop to 10.1 percent in 1984. The insured unemployment rate would drop from 5.4 percent this year down to about 4.9 percent in 1984.

Senator WEICKER. Well, let me just go over the figures here. The assumptions on which the budget request was based, what do they assume in terms of unemployment?

Mr. LEWIS. Average unemployment of 10.7 percent.

Senator WEICKER. 10.7 percent?

Mr. LEWIS. 10.7 percent for the current fiscal year.

Senator WEICKER. And the period of time that we're talking about is what?

Mr. LEWIS. For fiscal year 1983. That's an average for the year.

Senator WEICKER. So October to October.

Mr. LEWIS. October to September 30.

Senator WEICKER. October 1983 to October 1984.

Mr. LEWIS. No; October 1982 through September 1983.

Senator WEICKER. At 10.7 percent.

Mr. LEWIS. That's right.

Senator WEICKER. That's the assumption.

Mr. LEWIS. That is the assumptions we were given.

Senator WEICKER. The last figure—just refresh my memory—the last figure, excluding the new military factor, excluding that, was what, 10.4 percent?

Mr. LEWIS. It was 10.4 percent for January without the adjustment.

[Pause.]

However, the fiscal year assumptions are 10.9 percent in fiscal year 1983 and 10.2 percent in fiscal year 1984 without the adjustment.

Senator WEICKER. That's what I thought.

Mr. LEWIS. Right.

Senator WEICKER. 10.4 percent, OK. Now, we have the 10.4 actual. We have the 10.7-percent assumption. I'm trying to think of what other term I might use there. All right, what is the present thinking of the administration vis-a-vis this period of October 1983 to October 1984?

Mr. LEWIS. Mr. Chairman, the assumptions we were given were actually worked up by the administration, I believe in late December is when we first were given those to begin rerunning our budget.

I believe that CEA Chairman Feldstein has indicated publicly that his economic assumptions assumed a prudent risk forecast; that if economic growth actually began to take off in January, that GNP could grow as much as 5 percent in the year; and that if it began later in the first quarter, that it would fall closer to 3 percent in the year.

So that, in turn, would influence how high the unemployment rate would go.

You're quite right that we are now tracking, fortunately, better than the assumptions would indicate; that is, lower.

Senator WEICKER. But the only point that I'm trying to make here is your calculations were devised in December. Is that what you're saying, December 1982.

Mr. LEWIS. That's correct.

Senator WEICKER. December 1982. And, in essence, you're sticking to those in terms of this request.

Mr. LEWIS. Yes; to be consistent with all of the budget projections, it's necessary that we calculate this supplemental based on the same set of economic assumptions as the rest of the budget.

I think what may have some meaning for the chairman is that the mid-session economic assumptions released last July or August, on which the original 1983 budget was based, called for an average unemployment rate for 1983 of 8.1 percent.

So on a total unemployment rate basis, you have a difference of roughly 2.6 percentage points in the assumption. The difference in the insured unemployment rate assumptions was about 0.9 percent.

As you know, much of the UI budget is driven by the economic asssumptions. I would say that with respect to the grants to States request for 11,128 staff-years and $276 million, that if the economy improves faster than the standard forecast, then perhaps we would not need all of the $276 million. That is driven almost exclusively by the economic assumptions.

As far as the advances, however, and particularly for loans to the States, I think the same comment would not apply. As I indicated, while the assumptions call for roughly $9 billion in loans to the States this year, we can already account for $6½ of that $9 billion, either in loans already made or requests already received from the States.

So if the chairman is concerned about anything being overstated, I would say that it is not overstated for the $5 billion advances request. It could be for the grants to States request.

Senator WEICKER. Well, the fact that remains is that we have already erred on the side—I say "we"—the Government has already erred on the side of predicting too low an unemployment rate by some 2.6 percent or even 2.3 percent, if you want to take the latest figure and hold it there. And I just don't see that we want to make a mistake again.

I would hope, as everybody else hopes, that it continues to go down. But for purposes of planning, I'd hate to be sitting here today and then getting overly optimistic and then sitting back down 3 or 4 months from now and having to go through this whole exercise all over again. I think we might as well stick with your initial figures. That doesn't mean that if the money isn't used, it isn't going to get spent.

So I think probably with only 1 month of unemployment going down, it really doesn't give us any sort of basis on which to revise the figures, anyway, even if the committee wanted to revise your figures.

On the matter of the March 1, 1983 runout date, your budget justification indicates you'll need an enacted supplemental by March 1, 1983. Yet the official OMB transmittal indicates funds will run out early in March.

When, exactly, do you now project the nationwide runout date for Federal fund unemployment advances?

Mr. LEWIS. Mr. Chairman, a couple of background comments. The cash flow drain on the trust funds is at its peak in the January–March quarter. I use the term "prudent risk" in connection with requesting action by March 1. By that, I have in mind that by law, the States who will need to borrow money request loans 3 months in advance.

It has been our practice to certify those loans for 3 months. With unemployment as serious as it is and the practice being what it has been, I think that there would be a great deal of anxiety in the system were we to change our practice and, say, certify only 1 month at a time.

On strictly a cash flow basis, I would say that probably March 15, conceivably the 18th, is about the longest those accounts could go before they completely run out of funds.

As you know, the extent to which a drawdown occurs in 1 month versus the next is difficult to estimate. But without leaving, really, any cushion, I would say March 15 or 18 they would be zeroed out. And long before that, we would have to begin less than full certification of loan requests.

INDIVIDUALS AFFECTED BY POTENTIAL BENEFIT CUTOFF

Senator WEICKER. How many people are now drawing unemployment benefits and how many of these face having their benefits cut off once the Federal fund advances are exhausted?

Mr. LEWIS. The week ending January 29, I believe, there was roughly 5.3 to 5.4 million people drawing benefits. There are now 29 States that have either borrowed or have loan requests in. There are 29 States with loan requests in for, I guess it's the January–February–March period.

One way or the other, without the urgent supplemental, individuals in all of those States would begin to be affected sometime in March.

Senator WEICKER. What are we talking about in numbers there?

Mr. LEWIS. I'm sorry?

Senator WEICKER. Of those that face having their benefits cut off, what are we talking about in terms of numbers?

Mr. LEWIS. Mr. Van Erden will take that.

Mr. VAN ERDEN. Mr. Chairman, we now have 1.1 million people drawing FSC. They would all be cut off. In those States, as Mr. Lewis indicated, that are requesting loans, we would probably cut off in the neighborhood of 4 million people.

So, in total, it would approach about 5 million people.

Senator WEICKER. About 5 million.

Mr. VAN ERDEN. Yes.

Senator WEICKER. And this prospect being around mid-March?

Mr. LEWIS. That's as close as we can estimate.

Senator WEICKER. Which States face having all unemployment benefits cut off and which ones will still be able to at least pay the regular 26 weeks of benefits?

Mr. LEWIS. Mr. Van Erden has some estimates.

Mr. VAN ERDEN. Yes; Mr. Chairman, if you're asking which States would be affected, first of all, all States are now paying FSC. So to that extent, every State would have a reduction in benefit payments to some individuals.

In the other 29 States, we could provide that list of States for the record or I could read it to you.

Senator WEICKER. No; you can provide it for the record.

Mr. VAN ERDEN. OK.

[The information follows:]

STATE LOAN REQUESTS

Alabama, Arkansas, Colorado, Connecticut, District of Columbia, Iowa, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maine, Michigan, Minnesota, Missouri, Montana, North Dakota, New Jersey, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virgin Islands, Virginia, West Virginia, and Wisconsin.

RUNOUT OF FEDERAL UNEMPLOYMENT FUNDS

Senator WEICKER. What steps might be taken, to prolong the actual runout of Federal unemployment funds?

Mr. LEWIS. Mr. Chairman, the March 15 to 18 estimate that I gave you for zero drawdown assumes that every step would be taken in cooperation with the Office of Management and Budget and the Treasury to have an across-the-board draw-down in those accounts.

So that would mean that we would need to notify States that partial loan certification is the best that we could do and that we would need to manage the accounts, rather than on a first-come-first-serve basis, manage the accounts on a daily availability. That's what is behind the March 15 assumption. In our judgment, everything is being done that could be done.

EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Senator WEICKER. The Ways and Means and Finance Committees are scheduled to consider legislation to extend the expiring Federal supplemental compensation program from April 1 through September 30, 1983.

If this legislation is enacted, when would you need another supplemental to avoid delaying any unemployment benefit checks?

Mr. LEWIS. The President's budget identified $1.85 billion as the amount associated with the proposal that the administration will be forwarding shortly to the Congress for a modification and extension of FSC beyond March 31. It remains to be seen whether or not a supplemental would be necessary to avoid any delay in benefit checks associated with that proposal. It would depend upon whether that's taken out of the Federal unemployment benefits account or the extended unemployment compensation account, as the current FSC program is.

The $300 million in this $5 billion supplemental is just for FSC to carry through to March 31; that is the current law program.

Senator WEICKER. What additional amount would be needed for a 6-month extension of the existing Federal supplemental compensation program?

Mr. LEWIS. Well, if current law were extended for another 6 months, it would be about $2.4 billion, maybe $2.5. The modification that the administration is now drafting into law would be somewhat less than that, about $1.85 billion.

UNEMPLOYMENT TRUST FUND RESERVES

Senator WEICKER. Do you see a growing tendency of States to maintain inadequate unemployment trust fund reserves to tide them over economic recessions?

Mr. LEWIS. Definitely, sir. I think our projected borrowing for the year would be more than the net cumulative loans for the past decade.

Senator WEICKER. Do you think there ought to be a Federal solvency standard requiring all States to maintain certain unemployment fund reserves?

Mr. LEWIS. The administration, to my knowledge, does not have any Federal standards of that type under consideration. I would say, Mr. Chairman, that the Congress in 1981 enacted several reforms that do impact on solvency.

As you know, for the first time, all State borrowing, other than short-term cash flow loans, after April 1, 1982, are subject to interest being charged. Since that provision has gone into effect, we have noticed a flurry of activity in the States in terms of their examining the various provisions of their State laws which impact on solvency. Two States in particular, Michigan and Louisiana, have recently enacted provisions which improve their solvency and many, many States are doing that now.

I would think that current law may help solve the problem as the economy improves.

Senator WEICKER. But what bothers me is that, and I'm 100 percent for the Federal Government stepping in here, but I think that those States that have acted in a fiscally responsible way probably are being taught a lesson that they made a mistake in acting that way. Don't you think so?

Mr. LEWIS. I would say that with the current interest provisions, that States who are acting responsibly in terms of solvency issues are being rewarded in that they do not have to go to their State legislatures for State general revenues to pay interest or would not have to go to their legislatures for as much interest money to pay.

So I would say that the incentives probably are working in the right direction.

FORGIVENESS OF LOANS

Senator WEICKER. The problem is, I hear, probably as you do, also, where the Congress could step in and have some sort of a payment or forgiveness or something in this regard.

Mr. LEWIS. That has been proposed by a number of the States that have large debt balances. I think it remains to be seen how the Congress might receive those proposals.

I think, as you suggest, Mr. Chairman, that if there were to be some deferral of interest or something like that, that might be interpreted by States that did take prompt action that they had acted in haste.

I think it's important to note that of the roughly $10.6 billion in cumulative debt through the end of December, that about 60 percent of that is not interest-bearing. As you know, there was a large amount of money carried over in terms of debt from the 1974–75 recession. The Congress, for 5 straight years, deferred any repayment whatever of that debt.

Hence, at the end of 1981 and coming into the current recession, debt was probably twice as large as it would have been had the deferrals not taken place.

Senator WEICKER. Senator Rudman?

Senator RUDMAN. Mr. Chairman, actually, you asked most of the questions that I had intended to and I, thus, have no questions.

Senator WEICKER. We will try to act upon this at the earliest possible moment. Does the staff director have any indication as to when the subcommittee as a whole will meet on this?

[Pause.]

We, apparently, have to wait on the House to go ahead and have its markup. Just as soon as that's done, you can rest assured that we will move on your request.

Is there anything further that you care to add to the hearing at this time?

Mr. LEWIS. Mr. Chairman, I think your questions covered the major points.

INSURED UNEMPLOYMENT

Senator WEICKER. One last question here. In December, Labor Department data indicated that while 7.3 million people lost their jobs, only 5.5 million persons were drawing unemployment benefits.

Why is it that so many "job losers" don't end up receiving unemployment benefits?

Mr. LEWIS. Mr. Chairman, what you're referring to is the so-called gap between the insured unemployment rate and the total unemployment rate. Mr. Van Erden has been working with the Bureau of Labor Statistics people over the last few months to look into that and I think he probably has a couple of comments for you.

Mr. VAN ERDEN. Mr. Chairman, I believe your question was why are so many job losers not receiving benefits. There's a number of reasons why an individual may not qualify for benefits. As you know, over the last few years States have taken action on their own to tighten up on the qualifications that you need to have to draw unemployment benefits.

For example, an individual has to have 20 weeks of work or the equivalent in wages in most States. An individual who is counted as a job loser by the BLS may be an individual who did not meet those individual requirements, who had worked for a couple of weeks and, therefore, was not eligible for benefits.

The larger question that Mr. Lewis addressed of why is there a difference between the number who are counted as unemployed in the total and those that are actually drawing benefits, the answer to that is partially the same as the one I gave you before. Some of the individuals who are unemployed initially are not eligible for benefits.

As we go into a period of high unemployment for a longer period of time, many people do not have enough wages—those who are permanently attached to the labor force and have multiple layoffs may not have enough base period wages or base period credits to qualify.

I think there's a combination of things that have taken place that allows this particular gap to increase. The recession would be one. The higher qualifying requirements would be another. And as we go into a recession for a longer period of time, people do exhaust their entitlement to unemployment insurance and, therefore, are not counted in the insured rate, where they are counted in the total rate.

But your specific question, which addresses just job losers, I would think primarily those individuals either went back to work or did not qualify under the States' own qualifying requirements for unemployment insurance.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. We will submit the balance of the questions to you for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PERMANENT UNEMPLOYMENT INSURANCE SERVICE STAFF

Question: Last December, during consideration of the Fiscal 1983 Continuing Resolution, Senators Dixon, Thurmond, and others suggested that a greater share of State Unemployment Insurance Service resources be used for permanent staff, instead of hiring so many temporaries. What is your rationale for requesting that the entire $276.1 million supplemental for administrative costs be used to hire additional temporary staff to process unemployment claims?

Answer: There is no program data available to us that would suggest a significant deterioration in performance as the percentage of temporary employees to total employees increases. Therefore, using less expensive temporary staff to process temporarily higher workloads makes a smaller supplemental request possible.

Question: Do you expect unemployment claims workload to remain high enough over the next five years that additional permanent staff could be utilized?

Answer: We estimate that claims workload will abate significantly over the next five years as a result of economic recovery. Since our present position is that additional permanent staff is not cost-effective, the trend downward from current workload levels tends only to reinforce that policy.

Question: How do you assess the cost-effectiveness of permanent staff versus temporary unemployment insurance service staff?

Answer: The data available to us shows that the program is being administered satisfactorily; both in terms of timeliness and quality. Since temporary staff positions are less expensive than permanent, and since there is no apparent significant loss of performance at today's increased level of use of temporary staff, one must conclude that temporary staff are the most cost-effective.

PERMANENT VS TEMPORARY STAFF

Question: What level of insured unemployment is budgeted to be handled by permanent unemployment insurance service staff?

Answer: 2.1 million average weekly insured unemployment.

Question: Over the next five years, what is the lowest level of insured unemployment being projected for any calendar quarter?

Answer: 2.7 million (3.0 percent) in the third calendar quarter of 1988.

Question: Since the level of insured unemployment is expected to stay relatively high for the next several years, wouldn't it be more cost-effective to hire and retain permanent staff, at least to handle the minimal level of unemployment expected to persist over the next several years?

Answer: Staff retention is, of course, one element of cost effectiveness in that the need for training, more intensive supervision and downstream error corrections is lessened. However, retention benefits are not relegated to permanent hiring. There are a wide variety of less-than-permanent types of employment; and many of these types of part-time positions are very "retention-intensive;" that is, the same individual is recalled, and is available when needed, to fill temporary jobs.

Question: If Congress were to expand permanent State unemployment insurance service staff, how long would it take to hire them under State civil service procedures?

Answer: State civil service procedures vary greatly in their requirements, as do the requirements for many of the jobs into which permanent employees might be placed. There is no data on a national average time for such hiring.

The actual hiring process is often less time consuming than the requirements for advertising the vacancies and preparing rosters of eligible candidates for selection.

A reasonably informed guess at an average range of time for permanent new hiring would be between 60 and 120 days.

STATE HIRING PRACTICES

Question: To what extent do the States actually hire permanent civil service staff with the Federal resources intended for temporary staff?

Answer: There is no data available upon which to draw a conclusion as to the extent of such hiring. The Employment and Training Administration does not encourage such use of contingency funding, but neither is there a funding guideline which prohibits it.

Question: Since it costs about $30,344 per position for permanent staff versus $23,156 for temporary staff, is there a problem with States understaffing certain unemployment insurance service activities by employing fewer people to offset the higher cost per position?

Answer: As long as the State processes at least the allocated amount of workload, maintains satisfactory levels of performance, and accomplishes this within the allocated administrative dollars, we have no reason to question the ratio of permanent to temporary staff.

TRAINING COSTS FOR UNEMPLOYMENT INSURANCE SERVICE STAFF

Question: How long does it take to train new unemployment insurance service (UIS) claims takers?

Answer: It requires about three weeks of training, one week of formal classroom and two weeks of on the job training, over a period of six weeks to three months to train a new UIS claims taker on all the major job duties. This does not include claims adjudication work.

Question: What is the extra expense involved in training new UIS staff?

Answer: The estimated training costs average about $2,000 per employee.

Question: What is the cost per position for UIS permanent staff as compared to temporaries?

Answer: For FY 1983, the average cost per position for UIS permanent staff is $30,344; whereas, the average cost for temporary staff is $23,156.

CONTINGENCY FUNDS: UNEMPLOYMENT COMPENSATION SYSTEM

Question: How have you used contingency funds available for unemployment-compensation-related purposes in FY 1982 and FY 1983? For what do you expect to use them in FY 1984 and the remainder of FY 1983?

Answer: In FY 1982 and FY 1983 contingency funds were used to cover increases in the costs of administration resulting from changes in State law, increases in the number of claims filed and claims paid, and increased salary costs resulting from changes in State salary compensation plans. In FY 1984 and the remainder of FY 1983 contingency funds will continue to be used for the purposes as stated above.

TIMELY PROCESSING OF UNEMPLOYMENT WORKLOAD

Question: Given the recent suspension modification of many unemployment insurance program reviews conducted by the regional offices, is the Department of Labor considering other evaluation methods to ensure timely processing of appeals, benefits, and tax payments?

Answer: The Department of Labor's Unemployment Insurance Service (UIS) Quality Appraisal process, is designed to ensure timely processing of appeals, benefits, and tax payments.

This output-oriented management by exception on-site approach is still being used. There are no plans to curtail it in FY 1984.

UNEMPLOYMENT INSURANCE SERVICE COST MODEL STUDY

Question: Since reductions in staff, travel, and training funds have greatly affected the extent of monitoring and technical assistance being provided to the States by the Department of Labor, what effect has this had on the cost model study results which are used when making resource allocations to States for the Administration of the Unemployment Insurance Program?

Answer: Though the level of monitoring and technical assistance has been reduced beginning in FY 1983, we are confident that there is no detrimental effect on the Cost Model work measurement results. The tax activities have been our priority for study since FY 1981 and these are some of the least work intensive, more routine studies.

WISCONSIN BENEFITS

Question: Wisconsin's unemployment rate is currently 11.7 percent yet I understand that the State is not receiving extended benefit support from the trust fund. Can you tell me why?

Answer: Wisconsin's extended benefit (EB) trigger rate went below five percent on November 20, 1982 triggering off the program for the week ending December 11, 1982. The program as enacted in 1970 requires that when a State triggers "off" EB it must remain "off" at least 13 weeks. If the trigger rate remains at current levels, Wisconsin would resume EB payments with the week beginning March 13, 1983 and would remain "on" a minimum of 13 weeks.

Question: Does it make any sense to continue an unemployment compensation system that seems to penalize States with high and continuing unemployment?

Answer: This Administration has been sensitive to these needs and has enacted the Federal Supplemental Compensation program to address these problems. Wisconsin claimants are eligible for the maximum duration of 16 weeks which is funded entirely from Federal general revenues and none from the State trust fund.

INTEREST ON FEDERAL UNEMPLOYMENT LOANS

Question: It has been suggested that Congress permit States to temporarily postpone paying the ten percent interest charge on Federal Loans to State Unemployment Trust Funds, due to the unexpectedly high level of joblessness. What would be the impact of postponing interest payments for one or two years, or until the national insured unemployment rate declines below a certain level, perhaps nine percent?

Answer: We are anticipating interest payments of $415 million in FY 1983, $848 million in FY 1984 and $1,505 million in FY 1985. Postponing any of these amounts would add these amounts to the Federal deficits. The national insured unemployment rate is well below the nine percent level - 4.6 percent the end of January. The total unemployment rate will drop below nine percent during FY 1985.

Question: Have any States yet begun repayment of interest on loans?

Answer: Yes, ten States have made interest repayments of $2.3 million.

FORCING STATES TO REPAY LOANS

Question: If States fail to repay interest due on Federal unemployment loans, how would you go about collecting the amounts owed?

Answer: The legislation which provided for interest payment on new loans stated clearly that such payment is an obligation of the State. All Governors requesting loans after April 1, 1982, were informed that such loans carried the obligation for payment of interest if the loans were not repaid by the designated date. To date interest obligations have been met as incurred. We believe the States will act in good faith. Should any other eventuality occur, we will discuss with the Congress any appropriate steps that might be required.

Question: Is legislation needed to strengthen Federal collection efforts in the event States become delinquent in their loan and interest payments?

Answer: As indicated in the response to the preceding question, we do not at this time foresee the need for additional collection efforts.

Question: What precedents are there for the Federal government forcing States to repay loans and accrued interest?

Answer: There are ample precedents with respect to requiring that State loans be repaid. Provision for reducing State offset credit against FUTA, thereby increasing employer FUTA taxes in such States, has always been included in Federal legislation providing for loans to States. At no time was it intended that States be at liberty to disregard their obligations. In 1958, the Temporary Unemployment Compensation Act of 1958 (TUC) provided for interest-free advances to States to permit payment of extended benefits to workers who had exhausted regular UI benefits. States were offered the option of repaying these advances directly to the Federal government or of having the offset credit under FUTA reduced at the rate of 0.3 percent a year until repayment was accomplished. The 17 States which accepted advances did either make repayment directly or by way of the offset reduction. We are not aware of any specific precedents with respect to accrued interest. However, since the Federal government must at the present time borrow money at current market rates from which to provide funds for loans to States, we consider it appropriate that the States receiving these loans also pay interest.

RANDOM AUDIT PROGRAM FOR DETECTING UNEMPLOYMENT OVERPAYMENTS

Question: Based on preliminary results of the Department of Labor's Random Audit Program, which is designed to detect overpayments in the unemployment insurance programs, what are the extent, types, and causes of overpayments?

Answer: We are still in the process of analyzing the overpayment rates for the five States during the pilot period for the period April 1981 through March 1982.

A preliminary analysis reveals that the overpayment rates in the five States approximated the results in the six-city National Commission on Unemployment Compensation (NCUC) study conducted in 1979 - 1980. The NCUC study indicated that overpayments as a percentage of dollars paid ranged from 3.8 percent to 24.3 percent, and that the major type of overpayment was claimant error associated with inadequate work search efforts.

Question: How do the overpayment rates found by Random Audit compare to those identified by the Department's benefit control systems?

Answer: Historical methods of detecting UI overpayments include various crossmatching programs designed to detect an individual's improper receipt of UI benefits. Telephone calls and "tips" are also investigated. These methods, if properly implemented, are effective at detecting individuals who are working while receiving UI; receiving more than one UI payment per week; receiving UI for two benefit periods without intervening employment; and receiving UI based upon employment with a fictitous employer.

However, the detection systems are not designed to detect other eligibility-type issues, i.e., "active search for work" and able and availability requirements. The Random Audit is designed to detect the latter types of eligibility issues due to the intensive investigation of each sampled case. These investigations often take between 8-12 hours per sampled case, and the resources required for such a level of investigation for every weekly UI claim would be prohibitive. However, the data derived from the Random Audit will be used to pinpoint areas of UI administration needing improvement to reduce the levels of UI overpayments in the future.

Question: What actions are the States and the Department of Labor taking as a result of the Random Audit findings?

Answer: As a result of the preliminary findings in the five pilot States, the following corrective actions have been initiated in these States:

- Administrative changes
  - Procedural modifications
  - Forms revision
  - Revision of benefits rights interview to clearly communicate individual, UI eligibility responsibilities
  - Increased inter-agency coordination to more closely monitor "work search" activity
  - Revised agency policies regarding acceptable "work search" efforts by individuals

- Legislative recommendations (State level)
  - Benefit formula computation to reduce employer reporting errors
  - More stringent labor force attachment requirements
  - Changes in UI disqualification provisions
  - Definition of "suitable work" and "active search for work"

REGULAR EXTENDED BENEFITS

Question: Your original budget request did not include any funds for regular extended benefits advances, but now you estimate the need for $800,000,000 for fiscal 1983. What amount has already been advanced to the Extended Unemployment Compensation Account?

Answer: Outstanding advances at the end of FY 1982 amounted to $6.8 billion.

Question: Provide a State-by-State list of the estimated fiscal 1983 advances for regular extended benefits.

Answer: Advances to States are for the payment of both regular and extended benefits. There is no way to separate out those advances for extended benefits.

SCALING BACK REGULAR EXTENDED BENEFIT PROGRAM

Question: What is the rationale for keeping two extended benefit programs for unemployment compensation: the regular Extended Benefit program and the new Federal Supplemental Compensation program?

Answer: We believe the two programs address two different sets of circumstances. The Extended Benefit (EB) program is a permanent program directed at extraordinary circumstances causing high levels of unemployment in an individual State or in certain States, grounded essentially on the economic conditions in a State and not necessarily prevailing in the Nation as a whole. This is the reason this Administration recommended, and the Congress approved, elimination of the national trigger in the EB program. A State triggers the EB "on" and "off" based on its own individual insured unemployment rate. To the extent that these high levels of unemployment may be beyond the scope of the cyclical unemployment which regular UI is conceptually designed to meet, it is appropriate that the Federal government provide half of the financing, since without income support many of these workers, who have had firm attachment to the labor force, will be thrown upon other community resources, and with adverse economic effect.

The Federal Supplemental Compensation (FSC) program, on the other hand, is based fundamentally on the premise that unemployment nationally has temporarily reached an intolerably high level, deriving from national and even international economic phenomena, and making finding of new jobs difficult for the unemployed in all States. This accounts for the nationwide component of the program. This is then modified by relating the actual number of weeks of FSC available to each State to the unemployment conditions in that State. For example, it is clear that the massive unemployment in the auto industry in Michigan, in steel in Pennsylvania or in autos, steel, and rubber in Ohio do not flow from circumstances over which the State has any significant measure of control, or for which UI costs should be borne solely by the employers of such States.

We therefore consider it appropriate that both the permanent EB program and the temporary FSC program (subject to a brief extension) remain in place under present recessionary conditions. As we begin to emerge from the recession, the FSC program will be phased out, and the EB program will remain to meet needs that occur on a State basis.

Question: How much more federal fund appropriations would be required to replace the regular extended benefit program with an enlarged Federal Supplemental Compensation Program?

Answer: During FY 1983 we expect the regular extended benefit program to cost $4.4 billion of which half would come from State trust funds and half from the Extended Unemployment Compensation Account. A general revenue funded Federal Supplemental Compensation program equivalent would therefore require $4.4 billion more in Federal fund appropriations.

Question: How much more would it cost the Federal Treasury if regular extended benefits were limited to ten weeks, with the remaining three weeks financed through the Federal Supplemental Compensation program?

Answer: Approximately $700 million in FY 1983.

ADMINISTRATIVE COSTS OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Question: In Fiscal 1983, Congress financed most of the State administrative costs of operating the new Federal Supplemental Compensation (FSC) program from Unemployment Trust Fund Revenues. If the FSC program is continued, would you recommend utilizing trust funds to meet administrative costs, even though the benefit payments are entirely from general revenues?

Answer: The costs of administration of Federal unemployment programs have traditionally been funded from trust funds. It is therefore deemed appropriate to use trust funds for the costs of administration of the Federal Supplemental Compensation program. The use of trust funds for administration would be requested for any extension of the Federal Supplemental Compensation program.

Question: How much more would it cost for administrative expenses if Congress extended the Federal Supplemental Compensation program, currently scheduled to expire March 31, 1983, through the balance of fiscal year 1983?

Answer: Under the Administration's proposal, the administrative expenses would be $59 million. This excludes the cost of the voucher program for which estimates are not available at this time.

STATE LOANS

Question: The biggest component of your $5 billion supplemental request is $3.9 billion for additional Federal loans to States with depleted Unemployment Trust Fund Reserves, raising the total of fiscal 1983 loans to $8.3 billion. What total amount of loans have already been approved?

Answer: As of January 31, 1983, the total amount of FY 1983 Title XII loans used was $3.2 billion. Approvals for February are about $1.2 billion. Approvals for March and April are being revised pending passage of our emergency supplemental request for the Federal Unemployment Account. At this time we are projecting this account to be exhausted about mid March after which no further approvals can be made. Therefore it is important to obtain quick passage of our emergency supplemental.

Question: What specific amount of additional loan requests have you received, but not yet approved?

Answer: Requests for $2.4 billion for March, April, and May have already been received. Additional requests in all likelihood will be received in the near future.

Question: Your budget justification indicates approximately 35 States will need to borrow Federal funds for their insolvent unemployment trust funds in fiscal 1983. Please provide a list of these States for the record, and the approximate borrowing amounts.

Answer: The list follows. Dollars are in millions.

States	Amount
Alabama	$121
Arkansas	81
Colorado	62
Connecticut	80
Delaware	2
District of Columbia	59
Idaho	45
Illinois	1,388
Indiana	80
Iowa	220
Kentucky	211
Louisiana	310
Maine	20
Michigan	1,105
Minnesota	288
Missouri	94
Montana	22
New Jersey	150
North Dakota	9
Ohio	1,381
Oregon	50
Pennsylvania	1,399
Puerto Rico	27
Rhode Island	32
South Carolina	98
South Dakota	2
Tennessee	139
Texas	540
Utah	56
Vermont	17
Virginia	85
Virgin Islands	4
Washington	50
West Virginia	120
Wisconsin	586
TOTAL	8,933

Question: Provide a State-by-State list for the record of both loans already approved and anticipated, as well as anticipated offsetting tax receipts.

Answer: The information is reflected in the following table for Fiscal Year 1983. Dollars in millions.

States	Oct.-Jan. Actual Loans	Feb./March Request	Total Loans Anticipated	Off-setting Credits
Alabama	$12	$33	$121	$ --
Arkansas	24	16	81	10
Colorado	25	46	62	--
Connecticut	10	55	80	49
Delaware	--	--	2	7
District of Columbia	22	11	59	11
Idaho	--	17	45	--
Illinois	545	384	1,388	135
Indiana	--	61	80	--
Iowa	70	60	220	--
Kentucky	61	63	211	--
Louisiana	160	105	310	--
Maine	--	5	20	17
Michigan	526	355	1,105	43
Minnesota	92	77	288	24
Missouri	--	58	94	--
Montana	--	13	22	--
New Jersey	--	--	150	90
North Dakota	--	8	9	--
Ohio	497	400	1,381	59
Oregon	--	--	50	--
Pennsylvania	588	458	1,399	132
Puerto Rico	--	--	27	20
Rhode Island	--	--	32	10
South Carolina	--	8	98	--
South Dakota	--	--	2	--
Tennessee	12	46	139	--
Texas	231	240	540	--
Utah	--	25	56	--
Vermont	--	9	17	5
Virginia	7	49	85	--
Virgin Islands	*	1	4	1
Washington	--	--	50	--
West Virginia	68	67	120	9
Wisconsin	204	167	586	--
Total	3,154	2,837	8,933	622

*Less than a million.

UNEMPLOYMENT INSURANCE SERVICE: FEDERAL ADMINISTRATION

Question: Given the wide range of changes made by the 97th Congress in the Unemployment Insurance system, what has the Unemployment Insurance Service done to help the States cope with these changes?

Answer: Though its Office of Legislation and Actuarial Services, the Unemployment Insurance Service (UIS) has kept the States fully informed of Presidential recommendations, Congressional deliberations and actual enactment of legislation, in each case at the earliest possible date so that States could study the relevance of Federal legislative developments to their respective State UI developments to their respective State UI laws. As promptly as feasible upon enactment of Federal legislation, States were informed of new conformity requirements by use of Unemployment Insurance Program Letters, and with draft language which might be of assistance to States in drafting their own implementing langauage. Similarly, the Office of Program Management of the UIS has furnished States with procedural materials and operating guides for implementation of new requirements.

At several stages in the process, UIS has initiated area meetings where presentations were made to key State UI personnel and frequent use was made of work committees, including State detailees, to prepare necessary instructional and operational materials.

The regional office personnel assigned to UIS, as augmented when desirable by national office staff, have furnished hands-on, on-site assistance.

Question: Given the serious financial difficulties experienced by roughly half of the State programs, what has the Unemployment Insurance Service done to help restore fiscal balance in these States?

Answer: We have provided federal guidance through Federal legislation as follows:

- Tightening up Extended Benefit outlays.
- Making it attractive to require a waiting week.
- Provide a Cap on FUTA offset reductions.
- Increase the Federally required wage base.
- Will require in 1985 a higher tax rate in some States.
- Require interest on new loans to encourage State financing legislation.

We also provide technical assistance to States in legislative and actuarial areas through direct support and testimony, by providing formal training to State technicians and making a computer benefit financing model available to States for their use.

Question: Is there anything more that the Unemployment Insurance Service could do to advise these States on how to correct their fiscal imbalances?

Answer: The problem is essentially a State problem. The Unemployment Insurance Service actively work with States in reviewing the financing system and alternatives to improve solvency. It maintains a large computer program for use by States in simulating alternatives to existing law.

SUBCOMMITTEE RECESS

Senator WEICKER. If there are no further questions, then, the subcommittee will recess.

Mr. LEWIS. Thank you very much, Mr. Chairman.

Senator WEICKER. Thank you.

[Whereupon, at 3:32 p.m., Monday, February 14, the subcommittee was recessed, subject to the call of the Chair.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m., in room SD-192, Dirksen Senate Office Building, Hon. William Proxmire presiding.

Present: Senators Weicker, Domenici, Proxmire, Byrd, and Chiles.

DEPARTMENT OF LABOR

STATEMENT OF RAYMOND J. DONOVAN, SECRETARY OF LABOR

ACCOMPANIED BY ALFRED M. ZUCK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

PREPARED STATEMENT

Senator PROXMIRE [presiding]. The subcommittee will come to order.

Unfortunately the chairman appears to be tied up in traffic. He left his house more than an hour ago, but he drives a Chevy van and apparently the Chevy van isn't as efficient as the Labor Department. Consequently he isn't here as yet. I understand the staff feels that he would like me to go ahead.

I apologize for that, because I am not a member of the Republican party, which is in control of this committee and the Senate, and I hesitate for even a short time to chair this meeting. But I am going to move ahead.

Earlier this week the subcommittee conducted a hearing on fiscal year 1983 urgent supplementals of the Labor Department.

Today we will hear Secretary of Labor Raymond J. Donovan present his Department's fiscal year 1984 budget request.

Following this overview hearing we will have more detailed hearings with the heads of the various major agencies within the Labor Department.

Mr. Secretary, you have a very concise statement.

I have some questions, and I'm very hopeful that the chairman will be here shortly.

Secretary DONOVAN. Thank you, Senator.

I have filed a larger and longer statement.

Senator PROXMIRE. That will be printed in the record in full.

[The statement follows:]

STATEMENT OF RAYMOND J. DONOVAN

I am appearing before you today to discuss the Department of Labor's Fiscal Year 1984 budget request. Over the next several days, Departmental staff will appear before you to address the details of their individual agency requests. Today, I would like to outline, from my viewpoint, the most important aspects of the Department's budget proposals for 1984.

The Department is now requesting $15.4 billion in total funding authority through this Committee in 1984 of which $2.8 billion is derived by transfer from the Unemployment Trust Fund. More than half of this request--$8.0 billion--is needed to meet relatively uncontrollable program needs including loans for the Unemployment and Black Lung Disability Trust Funds, Black Lung Disability Trust Fund benefits and interest requirements, and Federal Employees' Compensation Act benefit payments. Discretionary program funding now requested totals $7.4 billion including $2.7 billion in trust fund transfers for State Unemployment Insurance and Employment Service Operations.

The 1984 budget includes the first full year of funding requested for programs authorized by the Job Training Partnership Act (JTPA) signed by President Reagan in October of last year. Nearly 80 percent of the $3.643 billion requested for the new Training and Employment Services (TES) appropriation will be for grants to states. Block grant funding of nearly $1.9 billion represents the largest single component in this important new effort. Under this formula grant the Governors have primary responsibility for administration, design and management of systems and programs with the private sector having a major role at the local level. At least 70 percent of the total funding provided to Governors through the Block Grant will be used for training purposes, thus devoting more funds to actual training of more individuals than was done under the funding provided in 1983 for related CETA titles.

The $240 million request for a state-operated program of training, job search, relocation, and supportive services for dislocated workers under Title III of JTPA represents another important tool to address the training and related needs of our workers whose skills have been rendered obsolete by technological change or other structural shifts in our economy. Federal funding, together with State-matching fund provisions based differentially on unemployment rates in each jurisdiction, will serve approximately 96,000 individuals in 1984. The JTPA currently allows the Department the flexibility to target 25 percent of the dislocated worker resources on specific cases of plant closings, mass layoffs or natural disasters. This increase of nearly ten-fold over 1983 funding levels offers the Department an opportunity to promote an effort that will have a significant impact on this serious problem.

My request also provides for a $725 million State-operated program for Summer Youth Employment and Training. Funds will provide a participant level of 718,000, approximately the same level as estimated for 1983.

Funds for Federally-administered programs total $793 million of my TES request. The major portion of these funds will be used to maintain the Job Corps at the $586 million level enacted in 1983. Of the remaining $207 million, $132 million is requested to provide national level programs for certain groups with special labor market disadvantages such as native Americans, migrants and veterans for which funding is provided under the formula distribution prescribed by the JTPA; $55 million is for national activities, including program support; and $20 million is requested for the administration of the Targeted Jobs Tax Credit program.

The JTPA amendments to the Wagner-Peyser Act have had a substantial, constructive impact on the request for Employment Service operations in the states. These amendments shift the basis for distribution of funds among the states to a formula based upon civilian labor force and unemployment data. In 1984, $708 million will be allotted to states under this formula.

This amount is equivalent to the 1983 enacted level with adjustments for anticipated cost increases. The funding for the Employment Service also includes $41 million for national programs such as labor certification and labor market information and $109 million for special veterans programs.

In 1984, nearly $1.9 billion is needed to fund 62,400 staff years to operate the unemployment insurance program. Your subcommittee has already heard Departmental witnesses testify to the need for a FY 1983 supplemental of $276 million for this program to meet workload increases resulting from higher unemployment rates.

The Department continues to review its enforcement efforts to promote the most effective application of resources, to eliminate burdensome regulatory requirements, and to focus on the most critical problems. My request for staffing and related operating costs for carrying out the Department's varied legislative responsibilities is $1.054 billion in 1984. The Department's request for FY 1983 pay supplementals is $12.7 million. Authorized positions in 1984 total 18,888--a reduction of 272 below the comparable level of 19,160 approved in 1983. A number of significant shifts in staffing proposed in FY 1984 would address several of my priorities.

- An increase of 102 positions is requested for the Bureau of Labor Statistics to begin work on the multi-year revision of the Consumer Price Index (CPI). Because of the importance of the CPI to the public and private sector, I place a high priority on this item.

- The Labor-Management Services Administration request reflects position increases of 131 to expand labor management standards and employee pension protection enforcement, and strengthen cooperative labor-management programs in the private sector.

- The budget request for the Mine Safety and Health Administration reflects a legislative proposal to provide more discretion to the Department in the use of resources. This proposal, together with a number of management improvements, would allow for a reduction of 224 positions in 1984.

- The authorized position level for 1984 in the Employment and Training Administration is 2,009. This reduction of 299 positions from the comparable level provided in 1983 is related primarily to reduced staffing requirements needed to administer the JTPA and revised Wagner-Peyser Act programs.

- An increase of 57 positions is requested in the Office of the Inspector General. The expanded staff will provide improved audit and investigation coverage of the Department's programs.

In summary, I believe that our budget request contains new proposals that are responsive to the nation's unemployment problem and our other legislative mandates while recognizing the need to reduce Federal spending. I will be happy to answer any questions you have.

BIOGRAPHY OF RAYMOND J. DONOVAN

Raymond J. Donovan was nominated by President Ronald Reagan to be the nation's 17th Secretary of Labor on January 20, 1981. He was confirmed by the Senate on February 3 and sworn into office at the White House on February 4, by Vice President George Bush.

As Secretary of Labor, Mr. Donovan is a member of President Reagan's Cabinet and is his chief advisor on labor matters. He serves on the Cabinet Councils on Commerce and Trade, Economic Affairs and Human Resources and is a member of the President's Task Force on Regulatory Reform chaired by the Vice President.

He is responsible for carrying out the Department of Labor's mission "to foster, promote and develop the welfare of the wage earners of the United States, to improve their working conditions and to advance their opportunities for profitable employment."

Secretary Donovan administers laws and programs that deal with the employment and training of American workers, safety and health in the workplace, employment standards, labor-management relations, international labor conditions and other matters affecting the welfare of American workers.

Mr. Donovan brought to his Cabinet post 22 years of managerial and labor relations experience with the Schiavone Construction Company of Secaucus, N.J.

He joined the firm in 1959 as a shareholder and vice president with responsibilities in all phases of construction and management. He became executive vice president of Schiavone in 1971, with broadened responsibilities in all subsidiary operations. He had primary responsibility for labor relations and conducted collective bargaining negotiations with unions on behalf of the firm.

In addition, he was involved in labor-related activities in the maritime industry and in newspaper publishing. He served as a negotiator and developer of labor-management contracts for the New York Trib and was a member of its board of directors.

From 1953 to 1959, Mr. Donovan was associated with the American Insurance Company in New Jersey, serving as a representative in Essex and Hudson Counties until 1955, when he joined the Company's Surety Department.

Mr. Donovan became a member of the Ballantine Brewery Workers Union in 1950 as a summer employee of the brewery. In 1952 and 1953, he was a member of the International Brotherhood of Electrical Workers.

Mr. Donovan has served as chairman of the Lay Board of Directors of the Shrine of St. Josephs in Stirling, N.J.; chairman of the Lay Board of Advisors of Missionary Servants of the Most Holy Trinity, a charitable and social work order of the Catholic Church, and chairman of the Board of Honesty House, a privately-endowed home for treatment of alcholics and the drug-addicted, in Stirling, N.J.

Born August 31, 1930, in Bayonne, N.J., Mr. Donovan attended Catholic schools in Bayonne, Jersey City and Holy Trinity, Alabama. He was graduated from Notre Dame Seminary in New Orleans in 1952 with a B.A. degree in philosophy.

He and his wife, the Former Catherine Sblendorio, have three children: Kenneth, Mary Ellen and Keith. The family lived in Short Hills, N.J., before Mr. Donovan's appointment as Secretary. They now live in McLean, Va.

BUDGET REQUEST

Secretary DONOVAN. Thank you.

I do have a short, two-page summary statement which I would like to read.

Mr. Chairman and members of the subcommittee, thank you for giving me the opportunity to appear before you today.

The Department of Labor is now requesting $15.4 billion in total funding authority of which $8 billion is needed for relatively uncontrollable programs, including $7.1 billion in advances to the unemployment and black lung disability trust funds.

Discretionary program funding now requested totals $7.4 billion, including $2.7 billion in trust fund transfers for State unemployment insurance and employment service operations.

The request includes $3.643 billion for the first full year of operations under the Job Training Partnership Act. I feel that with this request the State and local governments and the private sector will coordinate a more effective job training effort than existed under CETA.

State block grants funding will be $1.9 billion, with more resources devoted to training than in the past. At least 70 percent of the State block grant funding is for training, thus devoting more training funds in 1984 to more individuals than possible under the 1983 funding for related CETA titles.

I am requesting $240 million for the dislocated worker program. This is nearly a tenfold increase over the 1983 level.

The job corps and the summer youth programs are being held at the fiscal year 1983 level.

The staffing request for the Department is for 18,888 positions in 1984, which is a slight reduction of 272 positions from 1983. Included within the request are significant shifts in staffing, reflecting my priorities.

I am requesting an increase of 102 positions for the Bureau of Labor Statistics to begin work on the multiyear revision of the Consumer Price Index.

The Labor-Management Services Administration request includes 75 additional positions for increased labor-management standards enforcement and 45 positions for pension protection enforcement.

Finally, Mr. Chairman, I am requesting 57 additional positions for the Office of the Inspector General for improved audit and investigation coverage of the Department's program.

That concludes my summary, Mr. Chairman. I would be happy to respond to any questions you or members of the subcommittee might have.

INTRODUCTION OF WITNESSES

On my left, accompanying me, is Mr. Al Zuck, Assistant Secretary for Administration. Where I can't answer a question or one needs a fuller answer I will be deferring to Mr. Zuck.

Senator PROXMIRE. Thank you very much, Mr. Secretary.

Mr. Secretary, as you may know, the chairman of the overall committee, Senator Hatfield, has put together a jobs stimulus proposal that includes a number of Labor Department components. Could you tell me how many people would be put to work if the following funds were provided by March 15 and how long it would take to provide these jobs?

First, $125 million for dislocated workers assistance.

Secretary DONOVAN. I should tell you this, Senator Proxmire, that I am not completely informed on Senator Hatfield's bill. I know it was published in the Federal Register yesterday. I have previously had a general feel for what he was proposing.

Senator PROXMIRE. Let me then go through the list, and if you can give me any figures, fine. If not, you can provide them for the record.

These are the components that affect the Labor Department, of course.

The first is $125 million for dislocated workers assistance.

The second is the $32.4 million for the job corps.

The third is the $50 million for job search assistance.

The fourth is $100 million for summer youth employment and training.

And the fifth is $14,550,000 for community service employment for older Americans.

These dollars are all, of course, in addition to the funds that the Congress has already appropriated.

Would you or your colleagues like to respond to any of those increases at this point? If not, I will go on to the next question.

Secretary DONOVAN. You're asking how many jobs from each of these categories?

Senator PROXMIRE. How many additional jobs would be created by these five add-ons?

Secretary DONOVAN. We can roughly estimate, but I would much prefer analyzing these and submitting it for the record.

Senator PROXMIRE. Very good.

[The information follows:]

JOBS CREATED BY HATFIELD STIMULUS PROPOSAL

(1) $125 million for dislocated workers assistance: If $125 million for dislocated worker assistance is appropriated for title III of the Job Training Partnership Act, up to 60,000 workers will be provided training and other services with Federal and State matching funds. Over 70 percent of these individuals, or 42,000 can be expected to be placed in unsubsidized jobs upon termination from the program. Enrollment is estimated to start in June 1983 with substantially full enrollment levels reached in the fall of 1983.

(2) $32.4 million for the job corps: No jobs are provided by the job corps, only training opportunities. For this reason, the only short-term effect of providing an additional $32.4 million for the program would be a marginal increase in training opportunities. Because the job corps enrollment capacity is fixed due to its primarily residential nature, there is little potential for immediate increases in program size. Current enrollment is in excess of capacity and any immediate increases can only be sustained for a short period before program quality is affected by overcrowding.

Because job corps is a training program, any immediate enrollments would not, on average, complete the program and find jobs in less than 6 months. Therefore, given the constraints faced by the program, the Department estimates that about 1,700 new opportunities could be financed immediately by increasing the number of nonresidential participants and adding more beds to current facilities. These participants could start by April 15, but would not normally complete the program and find a job before October. These two options would cost about $12.2 million. Most additional options that would make use of the remaining resources could not be put in place before December at the earliest; the 3,500 participants that might be able to enroll then would not complete the program before June 1984. Most of the longer-term options require an increase in the residential capacity of the job corps and would probably lead to continued higher levels in the future. These are, therefore, not consistent with a short-term jobs bill.

(3) $50 million for job search assistance: A $50 million increase in the ES budget by March 15, 1983, would support an additional 1,500 ES staff-years on an annualized basis. There is no money in the administration account of the unemployment trust fund to support any added 1983 appropriations beyond the $276.1 million supplemental already requested to finance unemployment insurance workload. New general fund budget authority would be needed to advance to the trust fund to finance the proposed $50 million increase. If the funds are provided by March 15, we would estimate that 50 percent of the new staff would be on board by May 30 and the other 50 percent by June 30. This would result in a total hiring of 5,345 individuals, who would have to be laid off at the start of fiscal year 1984 to stay within the budget request designed to continue the current 24,800 staff-years. The administration account of the trust fund cannot support an ES level above 24,800 in fiscal year 1984 without advances which require added general fund budget authority. Based on experience, these additional staff would result in a total increase in ES job placements in 1983 of 186,000 individuals. While the 186,000 jobs are not additional jobs "created" by the proposed increase, they are jobs that would be filled through the ES instead of filled by some other means.

(4) $100 million for summer youth employment and training: $100 million for summer youth employment and training would add 98,600 additional participants to the number of youth expected to be enrolled in employment and training during the summer of 1983, with enrollments starting in late May, reaching maximum levels by the end of June and terminating in September with the beginning of the new school year. Some youth, 1,800 based on past experience, can be expected to be placed in permanent, unsubsidized jobs upon termination from the summer program.

(5) $14,550,000 for community service employment for older Americans: $14,550,000 for community service employment for older Americans is estimated to increase participation in this program by approximately 4,000 individuals. Because the program is forward funded, these individuals could be placed in employment positions during July. Approximately 15 percent, or 600 individuals can be expected to be placed in unsubsidized jobs upon termination from the program.

IMPLEMENTATION OF JOB TRAINING PARTNERSHIP ACT

Senator PROXMIRE. The National Commission for Employment Policy funded a December 1982 report on the steps being taken by the States to implement the Job Training Partnership Act. The summary indicates, and I want to quote it:

> State administrators tell us they need direct answers to specific questions, but often have no one to communicate with. Many cite the need for an "information clearinghouse" and the creation of some mechanism to facilitate State-to-State technical assistance during the transition. Thus far, however, Federal policymakers have adopted a hands-off policy with respect to the transition, putting the States, in effect, on their own at a time when many feel ill-prepared to handle JTPA's new complexities along with the demands of CETA's closeout.

Is the Department taking any steps to correct this deficiency, and, if so, what is being done?

Secretary DONOVAN. That's a very pessimistic view that gentleman has expounded. We are deeply concerned, obviously. I don't think it is an exaggeration to say that this is a historical move from CETA to the new Job Training Partnership Act and a block grant back to the States for training. So the transition period and an understanding, first, of the law, and second, of what we expect of the States is not a small task. But we have expended tremendous efforts in trying to assure that this transition goes smoothly and that they are able to hit the ground running in October when the law takes effect.

We have allocated to us and have spent and are spending $25 million to aid this transition. We have consulted at length with the National Governors Association, with NAB, with labor unions, holding seminars and symposiums. The effort has no higher priority in the Department, I would say, Senator. I am not saying there aren't going to be a few problems. There will be problems. But I think we are doing a very professional job in this transition. As a matter of fact, since business is such a critical portion of this new plan, letting them in on the takeoff as well as the landing, on their own business—and I have a copy of the——

Senator PROXMIRE. Let me interrupt at this point, Mr. Secretary, to point out that the National Commission for Employment Policy, a Federal agency, says, and I quote, "State administrators tell us they need direct answers to specific questions, but often have no one to communicate with."

Why would it be so hard to designate somebody they can communicate with?

Secretary DONOVAN. I deny it. I am incredulous that they have no one to communicate with. We have a working task force at Labor. I would be glad to communicate with them and ask them what their problems are.

Senator PROXMIRE. Well, I am quoting from their report.

Let me explore the issue with you a little further. A footnote to the paragraph I just quoted states, and I quote:

> The National Governors Association, which proposed some 5 months ago to help lead the transition under a technical assistance contract with DOL, has been largely unable to assist the States as a result of prolonged delays in the contracting process.

What caused the prolonged delays?

Secretary DONOVAN. You're speaking of prolonged delays in the contracting process with the assistance money?

Senator PROXMIRE. With the Department of Labor.

Secretary DONOVAN. Is that what they are speaking of, a grant to the Governors Association to aid the transition?

Senator PROXMIRE. Let me read the paragraph again. "The National Governors Association, which proposed some 5 months ago to help lead the transition under a technical assistance contract"—a contract with the Department of Labor—"has been largely unable to assist the States as a result of prolonged delays in the contracting process."

Secretary DONOVAN. I personally met with the Governors Conference Committee headed by Governor du Pont and Governor Lamb. That contract is in effect, as I understand it.

Senator PROXMIRE. When did that contract go into effect?

Secretary DONOVAN. I will have to check. I can tell you this. This is the first time I'm hearing that the governors feel that this Department has been unresponsive in this transition.

Senator PROXMIRE. The study I have quoted from was made available, as I understand it, in early January. It is my understanding that it was funded by the Labor Department.

Secretary DONOVAN. They are, through this $25 million that I am speaking of here, if we are on the right wavelength here.

We got heavy praise from that National Governors Association Committee on Employment through Governor du Pont.

Senator PROXMIRE. Why don't you read this report, Mr. Secretary, and then let us know whether or not there has been a delay in the contracting process and whether there is any basis at all for the complaint that State administrators have no one to communicate with in the Department of Labor?

Secretary DONOVAN. I will do that, and I just want to assure you, Senator, that I am as concerned as any Governor, because this new Job Training Partnership Act is an administration proposal and I want it to succeed just as badly as they and will leave no stone unturned to do it.

[The information follows:]

MDC REPORT ON JTPA IMPLEMENTATION

This report prepared by MDC, Inc. for the National Commission for Employment Policy paints what we believe is a totally inaccurate picture of DOL activities in support of JTPA implementation. It presents an initial "snapshot" of activity in late November and early December, only 6 weeks after JTPA was signed into law. At that time, most States were still organizing their transition efforts. Twenty of the States were changing governors. Unfortunately the progress of transition as of early December was reported in January leaving an impression with the readers that what they were reading was current news rather than history.

A comprehensive transition program has been assembled which includes frequent exchange of information and discussion at all levels of the employment and training system, constant monitoring of progress and ongoing reexamination of the information and assistance needs of the States. I can assure the Congress that a smooth and rapid implementation of these JTPA programs is of critical importance to me. I welcome both ongoing criticism and suggestions from all our partners in this effort.

DEBT COLLECTION PROGRAM

Senator PROXMIRE. As you know, Mr. Secretary, the Office of Management and Budget is conducting an aggressive debt collection program under its reform 1988 program.

What is the total amount of your outstanding debt, exclusive of loans made from the unemployment compensation trust fund?

Secretary DONOVAN. Exclusive of that $13 billion?

Senator PROXMIRE. Yes, sir.

Secretary DONOVAN. Al.

Mr. ZUCK. I don't have the precise figure, Mr. Chairman. I think it's about $400 million.

Senator PROXMIRE. How much of that debt is delinquent, if any?

Mr. ZUCK. I think approximately one-half of it.

Senator PROXMIRE. About one-half?

Mr. ZUCK. Yes.

Senator PROXMIRE. What sort of debt collection targets have you set for the Department in fiscal 1983?

Mr. ZUCK. I believe our target for 1983 is $203 million, or $20 million more than last year.

Senator PROXMIRE. What tools are you using in your debt collection activities? For example, is it appropriate to use offsets of any kind? Are you referring bad debt accounts to collection agencies? Do you use credit bureau ratings? Are you charging interest and penalties on any of your oustanding debts?

Mr. ZUCK. It depends upon the program, Mr. Chairman. In some of the agencies in which the dollar amounts are smaller, such as payments of assessments for penalties in the Mine Safety Act, we have used debt collection agencies in limited pilot ways which have proved to be fairly successful.

In the case of the CETA program, the employment and training programs, there we have not resorted to using any of these outside agencies but have attempted to get resolution of the audit findings and the funds returned from the prime sponsors directly.

Secretary DONOVAN. Our experience in 1982 just in that area, in ETA, in CETA funding, we have returned to the Treasury $132 million in either misspent funds, excessive current cash balances, or funds that were laying in old CETA accounts. ETA has done an outstanding job in these efforts. And by the way, when we came to office there were 600 audits backed up in ETA. They are now totally up to speed.

PRODUCTIVITY MEASUREMENT

Senator PROXMIRE. Mr. Secretary, can you tell us whether you have a productivity measurement system within the Department, and, if so, what percentage of your employees are covered by the productivity measurement system?

Secretary DONOVAN. In the Department of Labor itself?

Senator PROXMIRE. The Department of Labor, yes, sir.

Secretary DONOVAN. Well, the man sitting on my left has been involved for 10 years in the area of our collective bargaining with our labor union. There are some productivity guidelines. I don't know exactly what they are, so I will ask Al.

Senator PROXMIRE. Go ahead, sir.

Mr. ZUCK. The Department of Labor, as do most all agencies, participates in a voluntary Government-wide productivity reporting and improvement project. The Bureau of Labor Statistics maintains and operates a Government-wide productivity measuring system. Within the Department about one-half of the activities of the Department are covered by productivity reporting measures currently.

Senator PROXMIRE. What proportion?

Mr. ZUCK. About one-half.

Senator PROXMIRE. Of the total Labor Department?

Mr. ZUCK. Of the total Labor Department. There is an annual reporting on productivity measures.

Senator PROXMIRE. Can you tell us where you have had your biggest productivity increases and decreases and provide details for the hearing record?

Mr. ZUCK. I can for the record, yes.

[The information follows:]

PRODUCTIVITY INCREASES/DECREASES

Statistics compiled by the Bureau of Labor Statistics (BLS) show productivity peaks and valleys since the Department of Labor first began measuring and reporting productivity, but the overall trend has been up. Despite this erratic experience, each year the Department has exceeded or equaled the trend for the Federal Government as a whole. For example, in fiscal year 1981 the Department achieved a 3.2-percent increase over fiscal year 1980, and a 22.9-percent increase over fiscal year 1977, the base year. By contrast, the overall Federal productivity ratio for fiscal year 1981 increased by 2.4 percent over fiscal year 1980, and by only 7.4 percent over the base year.

In fiscal year 1981 the biggest increases in productivity over fiscal year 1980 were in BLS (23.4 percent) and in the Office of the Solicitor (30 percent). In fiscal year 1981 the biggest decrease in productivity over fiscal year 1980 was in departmental printing (26.8 percent) caused principally by workload reductions due to the Government-wide moratorium on printing.

PRODUCTIVITY IMPROVEMENTS

Senator PROXMIRE. Do you have any outstanding examples of productivity improvements or can you tell us about particular problem areas?

Mr. ZUCK. There have been some general improvements in a number of our programs. In some of the workers' compensation programs and in some of the enforcement programs of the Department we have experienced productivity increases over the course of the last several years.

But I would be happy to supply that for the record.

[The information follows:]

SIGNIFICANT PRODUCTIVITY INCREASES

In fiscal year 1981 increases over the base year 1977 were reflected in the following programs:

	Percent
Mine Safety and Health Administration, coal mine safety and health	61.0
Employment Standards Administration (including workers compensation)	6.9
Labor-Management Services Administration, pension and welfare benefit programs	16.7

TWO-THIRDS COVERAGE

Senator PROXMIRE. I think one-third coverage is a reasonably good record. But do you plan to improve that coverage, or do you feel that's about as much of your work force as you can measure?

Mr. ZUCK. We would like to have almost 100 percent coverage.

Senator PROXMIRE. I realize there are some activities you can't measure.

Mr. ZUCK. That's right. There are some research and other kinds of activities that are fairly difficult to include. We are not completely satisfied even with some of the measures we have got in the existing program. So we have a two-faceted attack, one trying to revise and improve the existing measures, and second, trying to increase and expand the coverage of programs that are not presently being covered.

Senator PROXMIRE. Do you have any kind of a target?

Mr. ZUCK. The end of fiscal 1984; we've got a 2-year improvement plan.

Senator PROXMIRE. Thank you very much.

Senator WEICKER [presiding]. I would like to thank Senator Proxmire for going ahead and covering. I screwed up.

Secretary DONOVAN. I do that every day.

Senator PROXMIRE. We blamed it on your Chevy van.

Senator WEICKER. I know it, and it wasn't. It wasn't the van; it wasn't the snow; it wasn't the traffic. It was me. I got the time mixed up in my mind, and I apologize, Mr. Secretary, for inconveniencing you and your staff.

JOBS PROGRAM

The President has reportedly approved a new jobs program. I would like to know what role the Department of Labor has played in this process.

Secretary DONOVAN. Well, when we say he approved it, I guess that's true. It's under negotiation now, as you know, Senator. I will just emphasize what the President has said to the press in his news conference last night. He hopes that it is not a Christmas tree.

As to our personal involvement, I knew 10 days ago, or thereabouts, of the meeting of the President and the speaker, and I knew from Dave Stockman that he was going to hold general discussions with the speaker.

As to the specifics of the program, as to what would be included on a program-by-program basis, we had very little input except to be assured that they were going to be socially responsible jobs and just pushed forward from fiscal 1984 and projected plans for 1983 to 1985 to help the unemployment situation until growth, which I believe has begun, takes over.

But we have deep involvement in the new Employment Act of 1983. In fact, we drafted the legislation for FSC, the job voucher program with FSC, and the dislocated worker program, the 2-percent cap allowing States to use 2 percent of their receipts for training and relocation, the summer youth differential—all of them drafted by the Labor Department.

Senator WEICKER. I can understand the necessity relative to politics for not having everything out on the table until matters are agreed to between the Republican and Democratic leadership. But as far as the substance of the matter is concerned, it would seem to me that the Secretary of Labor would be the prime input into any jobs proposal that is set forth. My next question was to ask you to outline the major elements of the proposal, but I would gather you are not in a position to do that this morning.

Secretary DONOVAN. I am not, although I have a general feel for it. I think it's still under—I know it's still under negotiation.

I should say this. I understand, too, that it has to be kept close to the vest, and initially—I'll be candid with you—I was not pleased. But the general thrust of it is something that both the President and I had agreement on from the beginning, that they must be socially responsible jobs. And they are. In talking to the various agencies about speeding their programs up, that process took place with OMB, and that's where the President decided was the best place to pull that together.

There was very little in our budget. Although I will say they discussed the dislocated worker problem and decided not to increase that or they would have been discussing that with our Department.

I think generally, on second thought, they have approached it in a generally proper way.

UNEMPLOYMENT BENEFITS SUPPLEMENTAL

Senator WEICKER. Is it your understanding that a jobs initiative will be added to the urgent unemployment insurance supplemental?

Secretary DONOVAN. The voucher system, Mr. Chairman?

Senator WEICKER. No; we're talking about the jobs program.

Secretary DONOVAN. I have heard that that is what the attempt will be. If it can be worked out on a bipartisan basis, that would be one of the more convenient ways to do it. I am not certain that that is what will happen, but I have heard that that is the plan.

Senator WEICKER. When is the last date that the urgent unemployment benefits supplemental can be signed into law without disrupting anyone's jobless checks?

Secretary DONOVAN. I believe it's March 15.

Senator WEICKER. In other words, it would be by that date that the new initiative would have to be passed.

Secretary DONOVAN. That's right. Earlier I had heard that it may be tied to the extension of FSC which expires on March 30.

The President last night obviously said that he would like it if it hit his desk some time in March, either of those dates.

Senator WEICKER. Well, it's not some time in March. It would have to be by the 15th of March if it is tied to the urgent unemployment insurance supplemental.

Timewise, I wonder if you can comment on this aspect, at least as to what you have heard. I think many of us feel that in order for this kind of legislation to be of any benefit the moneys that are allocated to it would have to be immediate. In other words, any sort of a jobs program out in the long range, at least to this Senator's way of thinking, would not resolve the situation in hand and indeed from a fiscal point of view would only add to the deficit. I was wondering whether the thrust of what is being proposed is going to impact on the streets now. Or is it something that is going to go into the Federal pipeline and not be felt for 6, 9 months, 1 year from now?

Secretary DONOVAN. I agree with you, and I sure hope that most of it will.

Senator WEICKER. Most of it will be felt in the weeks and months ahead?

Secretary DONOVAN. That's my desire. I was going to add from my own personal experience in the construction industry, and that's where a substantial portion of the dollars will flow, there are many projects already designed and there are many, say, in the HUD area, that are rehabilitation, delayed maintenance that doesn't take tremendous leadtimes either in design engineering or architectural design. They could be put into effect quite rapidly.

I have no feel right now, and I don't know that anyone does, to give a definite answer either as to the size of the jobs, although I hear the number of 470,000 direct and indirect, or the speed in which they will be developed.

But I certainly agree with you that the whole purpose is to move them up into 1983 and get the beneficial effect now.

NEGOTIATIONS ON JOBS BILL

Senator WEICKER. Who outside the political realm, that is, the majority leader or the Speaker, is involved in these negotiations. I have to emphasize that you are the Secretary of Labor, and I might add I think a very fine Secretary of Labor, and this relates to your area of responsibility. I find it a little strange that you are not in the midst of these negotiations. So who is in the midst of the negotiations?

Secretary DONOVAN. I appreciate your saying that I'm a fine Secretary of Labor, but I'm not the best politician.

Senator WEICKER. I'm trying to throw the politics aside. I understand the political figures. Who, as a matter of substance on these matters, is negotiating for the administration?

Secretary DONOVAN. Well, as you are aware, Dave Stockman and Jim Baker had many of the meetings with the leadership. I frankly don't know how far they have gone in their meetings. I hope that they have consulted widely with both parties and the leadership of both parties.

My general feeling on their approach is that you can't leave politics aside when you are trying to quickly put a bipartisan jobs bill together.

Senator WEICKER. I'm not arguing that point. It just can't be dollars thrown out there politically. We're trying to accomplish something in terms of labor, in terms of Americans being put to work. That's your responsibility.

Secretary DONOVAN. Yes; an awful lot of thought has gone into, through OMB, as to what programs can be, going back to——

Senator WEICKER. Mr. Secretary, OMB has got a function to perform, but they don't know their behind from first base when it comes to the retarded, when it comes to education, when it comes to labor. That is not their responsibility. This country doesn't need to be run by OMB; it needs to be run by the men and women who know their particular field. You know your field. I constantly have people from the administration come up here and they are just mouthing what OMB tells them to mouth. I'm not saying that's what you are doing. But that is what upsets me when I find out that the substance—not the politics—of the negotiation is OMB.

The ledger book is important. But the flesh and blood and the expertise put into the substance of the program is equally important.

Secretary DONOVAN. I agree. But let me say this in defense of the approach that the President has taken. As I review what has been happening, I could not suggest any better approach to the programs that they intend to push forward that are presently on the books as to job effects and the speed with which they can be accomplished.

Senator WEICKER. I'm not going to deny that, but I'm also going to respond to that very simply by saying that as chairman of the Small Business Committee I hear all these magnificent speeches on small business and job creation from the administration. All the vehicles are there in place—503, SBIC's; the vehicles are there to put into place once you get the money in there. You can put an awful lot of people to work through the small business community.

I sit on the Appropriations Committee, and have been in charge of EDA and UDAG and other programs that are in place, and I am well aware as to what needs doing there, which is the dollars have to be put into those programs.

We have everything in place out there. There is no question about it. I don't think you need anything too new in the way of an initiative, but that doesn't seem to be forthcoming. Nothing can happen as long as it's zero funded or put at levels by OMB that make it impossible to have a substantial effect.

Well, in any event, I don't mean to badger you on this, because I imagine it is not the easiest situation for anyone to live with. I just have to say that I think Mr. Stockman has a function to perform, but I really don't want to magnify it to the extent that it is in reality magnified because I fear what is going to happen, as it has in education and in programs for the disadvantaged in this country, is that total lack of expertise in those areas is going to horribly impact on the outyears even though the present year might show fiscal sense.

Secretary DONOVAN. Can I just add on the point that you raised on UDAG, I believe that is one of the proposals for speedup.

I would also say that this whole issue of the jobs bill is socially responsible but short-term effect. The Labor Department in a very responsible manner has been working diligently on the Employment Act of 1983, attacking the long-term structural unemployment that I'm afraid will be with us through the 1980's despite our growth, the dislocated worker and minority youth unemployment, and these are where our efforts are, and I think deservedly.

LEGISLATIVE PROPOSALS

Senator WEICKER. Your budget includes many legislative changes, such as workman's compensation and MSHA, already assumed in the budget totals, and others, such as the subminimum wage, that you propose for later transmittal. Are you assuming that those legislative proposals directly reflected in the budget figures are more likely to be enacted than those that are proposed for later transmittal?

Secretary DONOVAN. We hope so, sir.

Senator WEICKER. How much more would have to be added to your fiscal 1984 budget authority requests if no changes in law are enacted?

Secretary DONOVAN. If none of the changes were enacted?

Senator WEICKER. Right.

Mr. ZUCK. We would not propose the rescission for the summer youth money that is proposed for later transmission and we would have to add in the Mine Safety and Health Administration—I don't know the precise number—approximately $5 million.

YOUTH SUBMINIMUM WAGE

Senator WEICKER. In 1981, after a 3-year study, the Minimum Wage Study Commission concluded that the record does not justify the establishment of a youth differential.

What evidence do you have that creating a youth subminimum wage would reduce the unemployment rate among teenagers?

Secretary DONOVAN. We're familiar with the study, Senator. I'm not in total agreement with the study. Some people have characterized it—I have not—as lacking in political courage. I am personally convinced that the tragedy that is going on out there with youth unemployment, particularly—as a matter of fact, the Congress called it a tragedy in the early years of CETA, and we have spent billions of dollars attempting to attack this problem.

I have testified in the past on the youth differential on a yearlong basis. I was encouraged because a few years ago it passed in the House. It only missed by one vote. Our proposal is based hopefully upon the political realities. By proposing it for the summertime I think in a major way we defuse a valid argument on displacement. It's very difficult to pin down what the amount of displacement will be. Approaching it on a summertime youth basis I think is the responsible way to go. I am encouraged that people like Mayor Koch of New York and Mayor Bradley of Los Angeles in the past few years have even offered their cities as test sites for a pilot program if the Congress and the administration so desired.

I suggest it as a tool, Mr. Chairman, and a very necessary tool, to attack what I call a national tragedy, particularly among minority youth. In our major cities it's in the 40's of percent; in some cities 50 percent. After all the dollars that we have spent.

I think if we put more light than heat on the subject—I understand the heat, and I've talked to many labor leaders since we have proposed it. They agree that the summertime approach is a better one. They are not applauding it, but they do recognize the tragedy that is out there. And I can't say it with more feeling. I ask the Congress to give it a chance, give us this tool, because we honestly believe that with that youth differential the economy can produce.

Senator WEICKER. The Fair Labor Standards Act now provides a full-time student subminimum wage condition of no displacement of other workers. Apparently about 500,000 full-time students are now employed at $2.84 per hour under this provision. Is that correct?

Secretary DONOVAN. Are employed at this time?

Senator WEICKER. Yes.

Secretary DONOVAN. It sounds correct, but I would have to check.

Senator WEICKER. Would many of these students lose their jobs under your proposal, the youth differential program, which would pay young people $2.50 an hour?

Secretary DONOVAN. No; under our proposal an employer could not decrease that differential if a person was employed for 60 or maybe 90 days, I believe it is, before at that other rate. That would be precluded.

Senator WEICKER. Is it correct that if the subminimum wage is enacted you propose to rescind $85 million already appropriated for the summer jobs program for disadvantaged youth rather than expand job opportunities to employ more youth?

Secretary DONOVAN. Yes, it is, but it's not done with feeling, and I would not be at all disappointed if those moneys were left in the summer youth program.

Senator WEICKER. Senator Byrd.

BLACK LUNG CLAIMS PROCESSING

Senator BYRD. Mr. Secretary, last year when you testified before this subcommittee I asked some questions relating to the processing of black lung claims, and at that time there were approximately 10,000 claims awaiting Department of Labor processing for forwarding to administrative law judges. You also advised that the administrative law judges already had an inventory of about 16,500 claims awaiting hearing.

How many claims are currently awaiting processing by the Department to be sent to the administrative law judges and what is the current inventory?

Secretary DONOVAN. The black lung claims, Senator Byrd, the unadjudicated claims, are now about 7,000. The normal level is about 5,000, I'm told, and the rise is due to the cases which cannot be decided until the new regulations which we are about to come forward with are finalized for the Black Lung Benefit and Revenue Amendments Act of 1981. The final regulations should be published in March.

Senator BYRD. The 7,000 cases, does that include those that are being processed by the Department of Labor for forwarding to the administrative law judges and the inventory that the administrative law judges already have?

Secretary DONOVAN. No; it's exclusive of that.

Mr. ZUCK. The number of cases pending at the beginning of the year with the administrative law judges is just about 15,000.

Senator BYRD. So there has been a drop in both categories, from 10,000 down to 7,000 at the processing level by the Department of Labor, and 16,500 down to 15,000 at the administrative law judges level.

Mr. ZUCK. Those were new cases carried over. If we look at total cases pending before the administrative law judges, the number is 27,000 estimated for fiscal year 1983. The number in 1982 was 23,000. So it's a slight increase.

IMPROVING BLACK LUNG CLAIMS PROCESSING

Senator BYRD. What are you doing to reduce the time required to process this caseload?

Secretary DONOVAN. It's a long and tedious adjudicatory process, as you are much more aware than I, Senator. I think the law judges are working as diligently as they can. The good sign, and it's one that is almost like our baby boom that we have just come through, the claims have actually gone down in 1981, leveled off in 1982, and projections are a downward curve from there, so that the inflow of cases have leveled off and will decrease.

I know that that is not a totally satisfactory approach, but the process is so difficult. Outside of putting on more administrative law judges I don't know what we can do to speed it up.

NEW BLACK LUNG REGULATIONS

Mr. ZUCK. One other aspect, Senator Byrd, the new amendments that occurred a little over 1 year ago and the regulations that will be issued shortly on those will provide some opportunity for having a more uniform standard that will facilitate faster action at the Employment Standards Administration point of acting on the cases. We hope over the course of the next year or so with implementation of those revised regulations that we will see an increased volume of actions completed.

Senator BYRD. You speak of regulations. Can you state for the committee what those changes will be?

Mr. ZUCK. I do not know the details of the regulations. They are being drafted at this point and will be issued for comment in March.

Secretary DONOVAN. Deputy Under Secretary Collyer will be before you, Senator. I will suggest that he bring some of the draft material with him to be more specific on the regulations.

ADDITIONAL ADMINISTRATIVE LAW JUDGES

Senator BYRD. You have mentioned an increase in the total inventory of cases.

Mr. ZUCK. At the administrative law judge level, yes.

Senator BYRD. Do you plan to add any administrative law judges so that this caseload can be reduced and actions can be expedited?

Mr. ZUCK. We're maintaining current staffing levels in the administrative law judge staff.

REDUCTIONS IN BLACK LUNG PROGRAM

Senator BYRD. Does the budget call for a reduction in personnel for the black lung program?

Mr. ZUCK. There is no change in personnel for the black lung program at the administrative law judge or the Benefit Review Board aspect of the adjudicatory process. There is a small reduction of 25 staff-years in the Employment Standards Administration, which is the point where the claims first come in, and that's largely reflecting the drop in the new intake in claims.

Secretary DONOVAN. I could be more specific, if you would like, Senator Byrd. Of those 25 reductions that we anticipate, 9 would be from the national office, 9 from the Philadelphia region, 3 positions in Atlanta and Chicago regions, and 1 position in the Denver region, all taken, by the way, through attrition, sir.

BLACK LUNG CASE PROCESSING TIME

Senator BYRD. I express my concern over the length of time again, as I believe I did last year, that it takes to process a black lung claim. It is not unusual for an individual to wait from 3 to 5 years for a final determination of his claim if it goes through the appeals process, and I would urge that greater initiatives be taken in reducing this backlog and the amount of time required to process these claims.

Secretary DONOVAN. I agree with you, and through regulations I hope we will be able to streamline the adjudication process. The only sunshine around that cloud, as you are very well aware, Senator, is that these recipients are being paid their benefits during this process, and to that degree it is less painful. But I totally agree with you. Historically this program has been something that has been burdened by backlog. It is something that we are attempting to clear up. I agree with you that it is too long.

BLACK LUNG FIELD OFFICES

Senator BYRD. Last year you responded to my concerns over the continued operation of the black lung field offices in West Virginia in fiscal year 1983, and you responded positively and favorably. Given the history of congressional interest in these black lung field offices can you give me assurance that you plan to keep these offices open in West Virginia in fiscal year 1984 as well?

Secretary DONOVAN. As I said last year, there are no plans. There have been discussions, and I know your staff has met with Mr. Collyer, particularly on the vacant offices; it has come to my attention that there are such places, vacant black lung offices. I know he has talked to your staff.

I give you the same pledge. We will take no action without Deputy Under Secretary Collyer consulting with you or your staff.

Senator BYRD. You speak of vacant black lung offices. Where are they and why is there a vacancy?

Secretary DONOVAN. I was just made aware of that 2 days ago and I was in shock, and I have asked my people to get me that information. They are scattered throughout the various States, I'm presuming.

Senator BYRD. You're not saying they are in West Virginia.

Secretary DONOVAN. I don't know right now where they are, but I know this, as a businessman that upsets me if we're paying rent on a vacant location. This shouldn't be.

Senator BYRD. Would you supply the subcommittee with information as to the location of these vacant offices and as to why there is a vacancy and as to how long there has been a vacancy in each office?

Secretary Donovan. We will.

[The information follows:]

Black Lung Vacant Offices

The black lung field stations were set up to provide advice to potential claimants and information on how to file claims, forms required, potential benefits if claims are approved, and other information. Actual claims are not filed with these offices. Listed below are the five black lung field stations that are currently vacant:

Location of vacant field stations	Date office became vacant	Reason for vacancy current status
Harlan, Ky	November 1982	MSHA transfer.
Prestonsburg, Ky	November 1982	Term expired.
Schuylkill-Haven, Pa	January 1983	Transfer request.
Washington, Pa	June 1982	Transfer request, colocated with MSHA.
Elkins, W. Va	November 1982	Disability retirement.

Note: At the request of Secretary Donovan, Mr. Robert Collyer, Deputy Under Secretary for Employment Standards, sent a letter to Senator Byrd regarding vacant black lung offices in West Virginia.

SENATOR BYRD'S CLOSING REMARKS

Senator Byrd. Would you mind supplying me with that same information by letter as far as West Virginia is concerned?

Secretary Donovan. We will, sir.

Senator Byrd. Thank you.

I have no further questions, Mr. Chairman. Thank you.

Senator Weicker. Thank you, Senator.

Senator Domenici.

Senator Domenici. Mr. Secretary, this is my first opportunity to be present in this subcommittee. I have to go preside over another committee, but I do have a few questions. I will try to be brief.

TARGETED JOBS TAX CREDIT

My first question is in reference to the targeted job tax credit which Congress passed last year and extended for a couple more years. You're aware of the program?

Secretary Donovan. I am, sir.

Senator Domenici. I understand that while it wasn't looked upon with great favor 1 year ago that it is looked upon with more favor now by the administration.

Secretary Donovan. That's correct, Senator.

Senator Domenici. Are you going to request adequate funding to run it, Mr. Secretary? One of the problems was, I think, they indicated last year they needed $25 million to run it; you asked for $15 million; I think the Congress gave $20 million. Are you going to ask for adequate funding for the field offices to implement it?

Secretary Donovan. We are asking for the same $20 million, Senator. One of the problems with that program, in my view, concerned the marketing of it.

Senator Domenici. I would agree with that.

Secretary Donovan. I think it's an excellent program. It's not marketed well. I think it's tied up in many bureaucratic knots. I think the approach a year ago or two to better define the target population that we were looking at—as you are aware, the law used to be that it was offenders and people with grave difficulties in employment. But I think it's an excellent program. Suggesting the voucher system in the extension of the Federal supplemental compensation I think is a further indication of my feeling and the administration's feeling on this general approach.

Senator DOMENICI. Mr. Secretary, you are absolutely right in terms of marketing it. Are there any limitations being placed on you in terms of your getting out there and marketing that program to the businessman?

Secretary DONOVAN. No; and I speak of it often before the chamber and before NAB and NAM. I think the participation could be doubled if it was marketed correctly. I have even thought about not only going to public TV but to business, chambers, television networks, and asking for donated time to explain this program more fully, especially to the small businessmen. I think that is where our target of opportunity for employment is more than the top 500.

Senator DOMENICI. I'm pleased to hear that, Mr. Secretary. I think it needs you or the President promoting it or it won't work, and it has tremendous potential.

JTPA FORWARD FUNDING

Mr. Secretary, a lot is being said about the new Job Training Partnership Act and what it's going to do. The third title on relocation training is going to be funded. But I note that your budget request contains a proposal for future transmittal for 3 months of advance funding for this new job training act. Existing law requires 9 months. I don't think the 9 months was put in casually. This is the kind of program that in order to establish the kind of coordination that is necessary there has to be assurance of funding. What is the justification for only 3 months of advance funding under that major program instead of 9 as required by law?

Secretary DONOVAN. Senator Domenici, there is no question in my mind that the job training partnership is going to succeed. It has to succeed. I testified last year before the bill was passed that I would be the one up asking to double those numbers if we could prove that this new approach, and new historic approach, basically getting a block grant back to the grassroots, getting away from the idea of permanent, that the Federal Government has a shoe that fits all 50 States, or for that matter, 2,000 municipalities in this country, has the skill shortages and training needs.

As far as the forward funding is concerned, our approach of asking for 3 months rather than 9, our answer would be it is very difficult to project year to year what size that program should be. I'm giving you the administration position. I'll frankly say there was some concern that putting the money in the checking account 1 year in advance or 9 months in advance under these budgetary times may have presented some budgetary problems.

But I can tell you that I believe that a 3-month advance is sufficient to encourage the people in the program that it will be continued. Certainly 9 months would be better.

Senator DOMENICI. In any event, you are committed to making it work. If the evidence is that 3 months won't do the job, if I read you right, you wouldn't be terribly upset if we increase the advance funding.

Secretary DONOVAN. As long as it was dedicated to the program itself.

Senator DOMENICI. I think there is a great misunderstanding of what advance funding means. It doesn't mean that over a 2- or 3-year period you can spend any more money; it's a question of how much you guarantee up front so that things can be put in place.

I have two more questions on that act.

INDIAN PROGRAMS

In that bill there is a separate section on the Job Training Partnership Act that relates to Indians. The Indian people are being asked to start economic development on their own. Yet they are unique in that they don't have the potential for private sector jobs yet. So a section is in there to allow public service jobs even under the Job Training Partnership Act, which is not dedicated to public service jobs. And I understand that. But there is a provision to do that for the Indian people. I hope when you write your regulations that you take that into consideration and provide latitude for the Indian people to have public service jobs during this transition, because that was intended.

Do you understand that to be the law and are you going to take care of that aspect?

Secretary DONOVAN. I do understand it to be the law, and I know that in writing the regulations that was certainly considered.

Senator DOMENICI. I would greatly appreciate it. Not that I want any special treatment. But I think the entire Indian community in this country is looking at this one aspect of this Job Training Act, and I hope you will give it some real consideration as the regulations are written.

Secretary DONOVAN. We will, Senator.

USE OF EXISTING INSTITUTIONS UNDER JTPA

Senator DOMENICI. There is another part of the act that I am concerned about. When we started CETA and the other efforts to create jobs with public money, we went out into the institutional marketplace and we didn't use existing institutions very much. If you had a jobs training part of CETA, they generally went out and rented their own building even if there was a public school that might provide the service; they generally went out and hired their own teachers even if a public school or vocational training school might have been available to train them. I understand in this law that there is no limitation on the pass-through of money at the local level or service delivery area. The way it is written they might contract even up to 100 percent of their training funds to existing educational agencies. I had something to do with putting that in the law because I was the mayor of a city when we had six different national jobs training laws, none of which used the educational system, and none of which used the city's.

You do understand that that is permissible under the law, that the local educational agency can bid, and that the pass-through money can be used to let a vocational school do the training? Or a public school? Are you going to see to it that the regs so permit?

Secretary DONOVAN. Yes; I couldn't agree with you more. The lack of synergism that went on under CETA— beyond the synergism, just as a passing thing, let me tell you this. On a truck right now coming from Los Angeles is a total telecommunications system, a TV broadcasting center, and all of its parts that was bought under the CETA program to teach unskilled people how to become technicians and cameramen and broadcasters, if you will. That's an example, although an extreme one, of what you were referring to as far as lack of synergism. Our vocational system has not been used well enough.

A perfect example of it is the Downriver project in Michigan where we contracted with Wayne State College. They had 6 million dollars' worth of equipment, tool and diemaking equipment, which was used 4 hours a day by the private institution. We contracted from 6 o'clock until midnight, a very advantageous contract to us, for the use of that equipment. It has worked very well.

It's that type of thing that we certainly are going to encourage.

Senator DOMENICI. Mr. Chairman, do I have a time limit? I only have two more questions.

Senator WEICKER. Go right ahead and ask them.

OLDER AMERICANS PROGRAM

Senator DOMENICI. One program that we have all heard good reports on is the community service employment program for older Americans. It was part of the supplemental appropriation last year that the President was overridden on. I think one of the reasons, Mr. Chairman, was because that program had been greatly cut in the President's request and most of us thought it was a good program.

You aren't cutting it, but you are proposing that it be consolidated with the older Americans program and thus go over to the other secretary. Just quickly, why did you do that?

Secretary DONOVAN. I appreciate your comment that I am for that program, because I am. I testified strongly on the subject, particularly the 55,000 slots.

It appeared to us after discussion that it would be much more advantageous to put these programs under HHS. We have that one small part. It truly, Senator, wasn't a training program in the accepted meaning of the word training program.

Put into the larger block grant—and I've been assured by OMB, Mr. Chairman, and by Secretary Schweiker, that that will be in that block grant and used that way—but in the total block grant affecting this general population it seemed far more sensible to us that it be in one location rather than us having one small part.

Senator DOMENICI. You would be suggesting to this committee and to the authorizing committees that if they go along with the block grant under the Older Americans Act that you would have no objection to the Congress being very specific as to the continuation of this program as part of the block grant?

Secretary DONOVAN. I would not only have no complaint about it, it would please me.

Senator DOMENICI. You would support that?

Secretary DONOVAN. I certainly would.

UNEMPLOYMENT BENEFITS SUPPLEMENTAL

Senator DOMENICI. This budget that we have up here, the President's budget, proposes to extend the supplemental unemployment benefits for long-term jobless beyond its current March 31 expiration date.

Maybe you ought to answer these for the record so we won't take so much time.

I would like to know how that proposed legislation changes the current program? Will some States now receiving supplemental compensation receive fewer benefits? Which ones? And would the administration support a simple extension of the program so that no significant number of States would lose current benefits?

Can I submit those, Mr. Chairman, for the record.

Senator WEICKER. You certainly may. Those questions will be submitted for response.

Secretary DONOVAN. We will answer that for the record.

I would like to press the idea, and I think it's a valuable one, that the recipient under FSC have the option to go the voucher method. As an example, in a 16-week state with higher unemployment—and for easy explanation and mathematics let's say it was a $100 check—you would have the option; you would have 32 weeks of a $50 voucher. It goes back to the targeted jobs tax credit idea. It would enable him to go to an employer who may be on the fence as to expanding and hiring, and that $50 voucher could be the one thing in the balance that creates some employment.

The numbers that we have developed at the Labor Department, and these are developed by economists and may sound dramatic and too optimistic, and I hope it's not so, but it looks to us like it could create 800,000 jobs for the long-term unemployed. I just would hope that the voucher option is put into the Federal supplemental compensation extension.

Senator DOMENICI. I didn't ask about that. That obviously requires authorization by the committee of jurisdiction. I was just talking about the extension of the supplemental benefits which as part of the overall voucher imposition is greatly modified in terms of States that are currently getting it. That's the focus.

Thank you very much, Mr. Chairman.

Mr. Secretary, I have not had the pleasure of being present when you were questioned before. I have been here not too long, but for a while, and I compliment you on your testimony today and look forward to working with you.

Thank you very much.

Secretary DONOVAN. Thank you, Senator Domenici.

WORK INCENTIVES PROGRAM

Senator WEICKER. Mr. Secretary, the work incentive program has financed job services training and public service employment to recipients of aid to families with dependent children. No funds are requested in the 1984 Labor Department budget for this program. At a time when the administration is proposing a mandatory work requirement for AFDC recipients is it consistent to eliminate a program targeted to meet their job training needs?

Secretary DONOVAN. Mr. Chairman, I had a long discussion, as did my budget people, on this subject and it was decided between us and—I'm hesitant to mention OMB to you anymore—OMB and HHS on the subject of WIN. There are arguable reasons. But let me say this. They again decided to move that to HHS. It was my understanding at the time that it would be funded under the series of block grants at HHS. I understand now that HHS agreed with OMB not to fund it.

I would like that question addressed to the Secretary of HHS as to why not.

There are some arguments for not doing it. If you permit me, I will put them in the record.

[The information follows:]

NO REQUEST FOR WIN IN 1984

The administration has not requested any funds for the WIN program in 1984 because JTPA, the social services block grant, and the mandatory CWEP program will be able to provide the most effective WIN-type services to help welfare recipients become self-supporting. We estimate approximately 20 percent of the block grant funds under JTPA, or $377 million, will be used to train welfare recipients. In addition social services will be made available to AFDC participants in work and training programs through the social services block grant. The extent of services available through block grants will vary between jurisdictions based on local needs.

The community work experience program (CWEP) contains a work requirement provision, and also provides work experience opportunities to AFDC recipients in exchange for welfare grants. The program is now operational in selected jurisdictions in 22 States and will become mandatory for all States in fiscal year 1984, assuming congressional approval of the administration's proposed social welfare amendments. In addition, these amendments require job search for all employable AFDC recipients.

CWEP, JTPA, and the social services block grant will be largely administered by the same State and local agencies which now provide services to AFDC recipients under the WIN program.

WIN PROGRAM FUNDING

Secretary DONOVAN. In 1984 the WIN program funding will be unnecessary. Under the President's 1984 budget proposals AFDC applicants and recipients will be required to participate in job search and other employment related activities as a condition of AFDC eligibility. Funding for the administrative costs will be provided by the Department of Health and Human Services under AFDC program's regular 50 percent matching rule.

In addition—and these are valuable arguments, I think—States may use social services block grant resources, the Job Training Partnership Act resources or other work related activity for AFDC recipients.

It should be noted that a study issued by the General Accounting Office questioned the existing method of formulating AFDC savings related to the program.

But the short answer is that we agreed that it should be transferred to HHS, and at the time of that agreement we felt that we had assurances that it would be funded.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Mr. Secretary, I have further questions, as do other Senators on the subcommittee, which we will submit for response to the record. Any additional information pertaining to your budget request will also be included in the record at this point.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

POSTPONING INTEREST ON STATE UNEMPLOYMENT LOANS

QUESTION: In 1981, Congress passed legislation imposing 10 percent interest on Federal loans to depleted State Unemployment Trust Funds. At that time, it was apparently not foreseen that the first interest re-payments would be coming due during a long, severe recession. In your view, is there sufficient justification for Congress to temporarily postpone interest payments for a year or two--as long as states are not allowed to escape eventual payment of the full amounts owed?

ANSWER: The Administration opposes the unilateral postponement of interest payments. Interest payments are necessary in order to induce the States to improve the solvency of their unemployment insurance systems. A basic feature of the unemployment insurance program is that the States are responsible for the level of both taxes and benefit payments. If postponements are given, States will delay in correcting fundamental imbalances between taxes and benefits.

QUESTION: What evidence is there that imposition of this year's interest charges in particularly hard-pressed States would accelerate business failures or increase unemployment in the affected States?

ANSWER: The State that has had the gravest problem, Michigan, has recently taken important steps to resolve financial difficulties. Michigan has raised taxes and frozen benefit payments and expects to restore solvency in five years. The State does not predict higher unemployment rates or increased business failures as a result. If a State that has had so many difficulties can deal with its problems, other States can do the same.

QUESTION: How much would the Federal deficit be increased if interest payments were deferred until fiscal 1984?

ANSWER: It is not possible to estimate the impact on the budget of postponements, because it is not known how States will react to postponements. Some States may not use postponements, and others may not need them if they change their State laws. But the overall figure is likely to be very small. However, postponements would send a signal to States that they do not have to deal with their financial problems.

JOB VOUCHER PROGRAM

QUESTION: How exactly would the proposed job voucher/wage subsidy program work, and what would it cost to administer?

ANSWER: Under the Administration's proposal, those workers eligible for Federal Supplemental Compensation (FSC) would be allowed to take their unemployment benefits as a job voucher that could be applied first against the employer's unemployment insurance tax and then against federal income taxes. The weekly amount of the voucher would be set at 50 percent of the weekly benefit under FSC, but would be available for double the period of FSC eligibility.

Vouchers would be issued from April 1, 1983 till March 31, 1984. The state UI offices will issue the vouchers.

Following enactment of the program a request for administrative costs would be forward.

TERMINATION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

QUESTION: Since your budget projects unemployment averaging about 10 percent through fiscal 1984, why do you propose terminating federal supplemental compensaton at the end of 1983?

ANSWER: An economic recovery is underway at the present time. By fiscal year 1984 it will most likely be firmly in place. At that time, the thrust of government employment policies should be to ease the transition of the unemployed into the jobs of emerging technologies.

UNEMPLOYMENT TRUST FUNDS

QUESTION: Given the likelihood that the unemployment trust funds in about 40 states will be bankrupt in fiscal 1984, and have to borrow federal funds, how practical is your proposal to let the States utilize 2 percent of trust fund revenues for job retraining programs?

ANSWER: The Administration's proposal to let the states utilize 2 percent of the unemployment trust fund revenues for job retraining programs is aimed at the long-term goals of this decade. The financial problems of the unemployment trust fund are a temporary situation. The need for job retraining programs will be a continuing problem.

TARGETED JOBS TAX CREDIT PROGRAM

QUESTION: How well has the existing targeted jobs tax credit program been working?

ANSWER: In FY 1982, 510,000 vouchers were provided to target group members by State Employment Security agencies, and 210,000 certifications were issued to employers. The Department believes that this represents significant under-utilization of an excellent program, which can be improved through increased marketing efforts, particularly directed toward small businessmen.

QUESTION: In view of the current recession, do you believe the targeted jobs tax credit program can be a useful tool in helping to reduce unemployment in the targeted groups?

ANSWER: The TJTC program may have some potential for reducing target group unemployment, but alternative approaches may be more effective.

ABUSE OF TARGETED JOBS TAX CREDIT PROGRAM

QUESTION: To what extent have employers abused the program, by claiming tax credits for workers they would have hired anyway?

ANSWER: No evidence relating to the existing TJTC program is available. The 1981 changes in the TJTC were designed to limit this type of abuse by restricting the extent to which certifications could be retroactive.

COST OF TJTC

QUESTION: How much has this program "cost" in terms of lost tax revenues?

ANSWER: Revenue cost estimates are:

(Dollars in Millions)

FY 1982	FY 1983	FY 1984
$235	$290	$465

EXPANSION OF TAX CREDIT LEGISLATION

QUESTION: What specific proposals do you have to expand tax credit legislation, at what cost?

ANSWER: The Administration has proposed job vouchering as part of the Employment Act of 1983. Under this proposal, workers eligible for Federal Supplemental Compensation could take their unemployment compensation as a job voucher to be applied first against their employer's unemployment insurance tax and then against Federal income tax. The estimated cost is $12.5 million over three years for administrative expenses and $465 million for offsets to tax receipts in Fiscal Year 1984.

DISLOCATED WORKER PROGRAM

QUESTION: While you recommend $240 million for the new Title III dislocated worker program in FY 1984, (as compared to start-up funding of $25 million in FY 1983) this will serve only 96,000 individuals. The Congressional Budget Office estimates that about 1.2 million persons are unemployed workers from declining industries; therefore, the Administration's request would reach only 8 percent of the need. How does the Administration propose to address the training needs of the remaining 92 percent of dislocated workers this year and next?

ANSWER: The problem of reemploying displaced workers is a shared responsibility. No single level of government -- federal, state or local -- nor a single segment of society -- whether government, workers or employers -- is exclusively charged with securing the ultimate objective. Rather, we are all entrusted with significant roles.

The employer, the union, and the affected individuals share responsibility with government for reemploying the displaced workers in productive new jobs. The private sector -- individuals and institutions working together -- must be equally vigorous in pursuing both capital investment strategies and human resource policies which insure that we not only revitalize our economy, but that we fully utilize the capabilities of our entire labor force. Displaced workers must recognize the realities of a changing economy and the necessity of making difficult occupational and geographic adjustments. The Federal government must be the catalyst by providing those resources necessary to facilitate the worker adjustment process. State and local governments must be prepared to coordinate and administer the delivery of reemployment services, such as retraining and relocation assistance, to those displaced workers in need of assistance.

The $240 million appropriation request for Title III of the Job Training Partnership Act and the provision to allow states to use unemployment insurance trust fund benefits for reemployment assistance are initiatives which:

- constitute a meaningful and substantial adjustment assistance policy for displaced workers;
- are consistent with the principle of shared responsibility; and
- utilize existing government institutions and service delivery mechanisms.

We estimate that the UI proposal will allow states to spend about $374 million for job training and relocation. When combined with the appropriation we are requesting for JTPA, this will enable more than 200,000 displaced workers to obtain the training they need to resume an active, productive role in our workforce. While this total is significantly less than the CBO estimate of 1-2 million, we believe that the program will provide meaningful assistance to those workers who have been most severely affected by economic displacement.

Furthermore, we have very little experience with programs for displaced workers. Because of the Downriver project and six other DOL-funded pilot projects, we are beginning to learn which services are most effective for various groups of workers. The experience gained during the early phases of JTPA will enable DOL to make better informed judgements regarding future appropriation levels for the Title III Dislocated Worker Program.

YOUTH DIFFERENTIAL

QUESTION: Mr. Secretary you are quoted in a recent issue of U.S. News and World Report as saying that a youth differential for minimum-wage employment during the summer months could "touch" as many as 500,000 young people. How did you arrive at this estimate?

ANSWER: A great many studies investigating the employment impact of the minimum wage have been conducted. On the basis of these studies we estimate that a 25 percent summer youth differential would lead to a youth employment increase of about 150,000 to 640,000. A detailed description of the methodology follows:

THE EMPLOYMENT IMPACT OF A 25 PERCENT SUMMER YOUTH DIFFERENTIAL

Proposal

Young persons under the age of 22 would be allowed to work during the period from May 1 through September 30 for 75 percent of the basic minimum wage.

Basis for Employment Estimates

The estimates provided below are based on the results of the minimum wage literature as summarized in the Brown, Gilroy and Kohen (BGK) paper, "The Effects of the Minimum Wage on Employment and Unemployment," in the June 1982 Journal of Economic Literature. Since all minimum wage studies necessarily are based on the historical changes in the minimum wage in the United States, several assumptions must be made to apply the results of these studies to the above proposal:

1) The employment impact of a reduction in the minimum wage is symmetric to that of an increase in the minimum wage.

2) The employment impact of a regular seasonal reduction in the minimum wage is about the same for the period of the reduction as the impact of a permanent reduction.

3) The employment impact of a reduction in the minimum wage applied only to youth is about the same as the youth employment impact of a reduction applied to all workers.

Brown, Gilroy and Kohen conclude that time series studies typically find that a 10 percent increase in the minimum wage reduces teenage (16-19) employment by 1-3 percent. Cross-section studies yield impacts up to almost 5 percent. The results for youth 20-24 (there are no studies of youth 20-21) are based on fewer studies and are not as conclusive, but suggest a small negative impact. Since persons 20-21 are more likely to be affected by the minimum wage than persons 22-24, we would expect that the impact of a 10 percent minimum wage increase would be larger for youth 20-21 than for the entire 20-24 age group. Based on the studies reviewed by BGK, we select the range -0.5 to -1.2 percent for the impact of a 10 percent increase in the minimum wage on employment of youth 20-21.

We assume that a 25 percent minimum wage reduction for youth will have two and a half times the impact of a 10 percent reduction. The impact of a 25 percent reduction in the minimum would thus be an employment increase of 2.5 to 12.0 percent for youth 16-19 and about 1.25 to 3.0 percent for youth 20-21.

The first group of estimates below provide employment estimates based on average youth (16-21) employment of 12.4 million for the May-September period in 1982. The second group of estimates are based on the peak monthly employment of 13.7 million in July 1982.

Group	Summer 1982 Average Employment	Low Estimate	High Estimate
16-19	7.2 Million	180,000	864,000
20-21	5.2 Million	65,000	156,000
16-21	12.4 Milion	245,000	1,020,000

Group	July 1982 Employment	Low Estimate	High Estimate
16-19	8.2 Million	205,000	984,000
20-21	5.5 Million	69,000	165,000
16-21	13.7 Million	274,000	1,149,000

The range of estimates using average summer employment is 245,000-1,020,000. The range for the peak employment month of July is 274,000 - 1,149,000.

The above estimates ignore the fact that many states have minimum wage laws which would partially or completely prevent the implementation of the youth proposal (unless the states followed passage of this proposal with similar legislation). A review of state laws indicates that states accounting for approximately 22 percent of teenage (16-19) employment have laws which would prevent implementation of the proposed differential in all or almost all situations. States accounting for about 20 percent of teenage employment have laws which would restrict implementation of the proposal (e.g., the rate could only drop to $2.90 per hour, or it could only apply to youth under 18). In our judgment, the above estimates should therefore be reduced by about 37 percent to account for the effect of state laws.

Average summer employment impact -	154,000 - 643,000
Peak (July) summer employment impact -	173,000 - 724,000

JOB VOUCHER PROGRAM

QUESTION: In the U.S. News and World Report article I just mentioned, you indicated that the Administration's proposed job-voucher program would "touch" 800,000 people. The New York Times quoted Eric J. Oxfeld, a lawyer for the Chamber of Commerce, as saying that unless there are careful controls an unscrupulous employer might be tempted to tell a job applicant to come back in a few weeks, after he has been unemployed long enough to qualify for vouchers. How would you prevent this from happening and how can you possibly tell the difference between jobs that would be available in any event and jobs that would be created because of the job voucher program?

ANSWER: The Administration believes the current regulations and enforcement efforts will prevent most fraud and abuse of job vouchers. In addition to other restrictions, private employers will receive the tax credit only if they hire qualified individuals for full time employment. Nor will an employer be allowed to claim the tax credit for rehiring a former employee.

It is difficult to distinguish between jobs created by the program and jobs that would have been available in any event. This usually cannot be done when looking at any one job. This distinction, however, is feasible to make when a wide range of jobs in the program are compared to jobs created in the past. This distinction would be made in an evaluation study.

UNEMPLOYMENT LEGISLATION

QUESTION: The President's budget proposed to extend the program of supplemental unemployment benefits for long-term jobless beyond it's current expiration date of March 31. How would the proposed legislation have changed the current program?

ANSWER: First, the Administration's proposed legislation would require that a person work 30 weeks during the year preceding unemployment compared to 20 weeks under the current program, in order to be eligible for benefits.

Next, the proposed legislation would restrict benefits to those claimants who have neither voluntarily quit their former jobs, nor been fired with good cause.

Furthermore, the proposal would replace the current five tier, 8 to 16 week system of determining the duration of benefits with a simpler three tier system -- 16 weeks of benefits in states with unemployment rates higher than 6 percent, 12 weeks in states with rates of 4.5 percent to 6 percent and 8 weeks in states with rates below 6 percent.

Finally, those workers eligible for Federal Supplemental Compensation (FSC) would be allowed to take their FSC benefits as a job voucher that would be applied first, against the employer's unemployment insurance tax, and then against federal income taxes. The amount of the voucher would be equal to one-half of the weekly

FSC benefit and would be payable for twice the duration of the FSC benefits.

QUESTION: Will some states now receiving federal supplemental compensation benefits receive fewer weeks of benefits? Which states?

ANSWER: There would be no change in weeks of benefits received for states with an Insured Unemployment Rate (IUR) of above 6 percent under the Administration's proposed changes. FSC recipients in these states would continue receiving 16 weeks of benefits.

Under current law, those states with an IUR of between 4.5 and 6 percent receive 14 weeks of FSC, if they were triggered on to Extended Benefits (EB) between June 1, 1982 and January 1, 1983. Those states with an IUR of between 4.5 and 6 percent receive 12 weeks if they were not triggered on to EB during that period. The Administration's proposed programs would have all states with an IUR of between 4.5 and 6 receive 12 weeks of benefits regardless of EB status.

Under current law, states with an IUR of less than 3.5 percent receive 8 weeks of benefits. Those states with an IUR of between 3.5 and 4.5 receive 10 weeks. The proposed legislation stipulates that all states with an IUR of less than 4.5 would receive 8 weeks of benefits.

Hence, those states currently receiving a 2 week bonus of FSC benefits on the basis of their having been triggered on to EB between June 1, 1982 and January 1, 1983 would receive fewer weeks of benefits. Similarly, those states with an IUR of more than 3.5 but less than 4.5 would receive 2 fewer weeks of FSC benefits. These two categories include approximately 28 states.

QUESTION: Would the Administration support a simple extension of the program so that no state will lose any current benefits?

ANSWER: The extension of the current program was signed into law and the Department is currently working with the States to implement it.

GEOGRAPHIC CONCENTRATION OF HIGH TECHNOLOGY JOBS

Question: Do you foresee the spread of high-technology industries throughout the Nation, or are they likely to be concentrated in selected areas?

Answer: High-technology industries like many other industries currently are concentrated geographically. Because current attention is placing emphasis on the high-tech industries, many State and local officials are developing programs to attract these industries. If they are successful, and no doubt some will be, future employment may tend to be less concentrated than it is currently.

HIGH TECHNOLOGY JOB CREATION

Question: How many jobs do you expect will be created in high-tech industries over the next decade?

Answer: If a broad definition of high-tech industries is used, these industries currently employ about 6.3 percent of the work force. The most recent Bureau of Labor Statistics projections, developed under alternative assumptions, indicate growth in these industries ranging from 1.1 million to 1.7 million jobs between 1982 and 1990. However, the rate of growth in high tech industries is projected to be only slightly faster than total employment over this same period. Without the growth in computer manufacturing and data processing services, the growth of high-tech jobs would be slower than the growth in total employment.

USE OF ROBOTS

Question: As our basic industries become more automated, how many jobs do you expect will be replaced by robots over the next 10 years?

Answer: The Department of Labor has not conducted an in-depth study of the displacement effect of robots. However, current estimates by others, such as the W.E. Upjohn Institute, indicate about two workers would be displaced for every robot that is installed. Although a variety of projections of the robot population have been developed, the most credible appear to indicate an increase of between 50,000 and 100,000 during the 1980's. This would imply displacement of about 100,000 to 200,000 workers. The potential is much higher, but it is unlikely that all factors necessary for the greater introduction of robots in the 1980's will be realized, including the development of robot technology and the availability of capital. From an occupational standpoint, the greatest displacement effect probably will be felt by welders, production painters, assemblers, and material movers.

I also would like to point out that the introduction of robots will create jobs. Workers will be needed to design, produce, install, and repair robots. In addition, the goods produced with this laborsaving technology, could become more price competitive and thereby increase demand and result in an increase in employment even in the industries where they were introduced.

"WALSH REPORT" ON PENSION LAW ENFORCEMENT

On May 1, 1982, a joint Office of Inspector General and Labor-Management Services Administration task force issued a highly critical report--the so called "Walsh Report"--on the Department of Labor's enforcement of the Employee Retirement Income Security Act.

Question: What action has the Department of Labor taken to implement the numerous recommendations to strengthen and improve the administration and enforcement of this important pension law?

Answer: A Revised Compliance Strategy Document for the Pension and Welfare Benefits Program has been recently distributed to the field. This document addresses and is designed to correct, many of the problems noted in the "Walsh Report".

Specific actions to date include:

a. Establishment of the position of Deputy Assistant Secretary for Program Operations which among other matters is directly responsible for enforcement actions under ERISA.

b. Removal of restrictions on the handling of criminal cases by the Field.

c. Work on the design of a new Management Information System to track investigations and to document and report statistics on accomplishments in both civil and criminal cases.

d. Initiation of a program to develop a comprehensive Training Plan for PWBP including training in how to handle criminal cases.

LABOR-MANAGEMENT SERVICES ADMINISTRATION

Question: Please explain the specifics of your request for 131 new staff and an increase of $6.5 million for expanded programs of the Labor-Management Services Administration.

Answer: The budget request for the Labor-Management Services Administration (LMSA) totals a net increase of $6,118,000 and 131 positions over FY 1983. Of the total dollar increase, $1,992,000 will be utilized to cover annualization costs for the FY 1983 Labor-Management Standards Enforcement position increase, increased costs of salaries, space rental and administrative and support services. The staff increase includes one position which was transferred to LMSA as a result of the agency assuming responsibility for payroll functions.

The remaining $4,126,000 and 130 new positions are requested as follows: In the Pension and Welfare Benefits Program $1,050,000 and 45 positions will be utilized to expand efforts to protect pension and welfare plan assets through increased activity in both fiduciary and criminal investigations. Also in this program area, $750,000 in requested for contract research in order to carry out the authority granted to the Department of Labor by ERISA (Section 513) to pursue research and data collection for the purpose of monitoring and evaluating the impact of ERISA and other government pension policies on the nation's economy and its pension participants.

In addition, $1,400,000 and 75 positions is requested in order to conduct more enforcement activities, particularly criminal investigations and audits, and improve overall enforcement support in the Labor-Management Standards Enforcement program.

Finally, $926,000 and 10 positions is requested for the Labor-Management Relations Services activity to aid in strengthening the cooperative labor-management program in a concerted effort to increase productivity in the private sector. Also included in the $926,000 are funds to publish a resource guide and directory, prepare case studies; issue monthly periodicals; prepare ancillary material for use at regional conferences, seminars and workshops; contract for expert services to be utilized in supporting the above mentioned conferences; and contract research funds to study and/or determine (1) the contribution of cooperative efforts to facilitate the introduction of new technology; (2) the involvement potential for small business in labor-management cooperative efforts; and (3) the structure and process of cooperative in-plant programs.

Question: How many of the additional 75 staff provided by Congress in December for augmenting embezzlement investigations of labor organizations have been hired so far?

Answer: As of the end of February twenty-two positions of the 75 have been filled. Hiring of the remaining positions is expected to be completed in early April, thus ensuring successful coordination of an effective, cost efficient training program.

Question: In a time of severe budget restraint, how do you justify these increases as being of high enough priority that they should not be deferred by Congress?

Answer: When we first came to LMSA in the spring of 1981, we began assessing the conditions of our area of responsibility. We found depleted staff conditions, serious problems with program directions and that some laws were simply not being enforced. As a result, we have received criticisms from the Senate Permanent Subcommittee on Investigations, the Hatch Committee on Criminal Compliance and GAO, to name a few. Any further delays in correcting these problems could further weaken our entire enforcement effort with very serious consequences for the people these laws are designed to protect.

We do appreciate and share the need to hold down costs. Therefore, in addition to forwarding a modest enhancement request, we have implemented internal controls on spending, we have and are still, in the process of making LMSA operations more efficient, effective and economical.

PURSUING VIOLATIONS OF PENSION AND LABOR DISCLOSURE LAWS

In the past there have been allegations of lack of effective cooperation between the Department of Labor and the Department of Justice in pursuing evidence of criminal violations of the Labor-Management Reporting and Disclosure Act and the Employee Retirement Income Security Act.

Question: What have you done to improve cooperation with the Department of Justice in pursuing criminal and civil violations of the Labor-Management Reporting and Disclosure Act and the Employee Retirement Income Security Act?

Answer: The Labor-Management Services Administration has undertaken efforts to improve coordination between Labor and Justice. We have trained field investigators under LMRDA to be more aware of criminal matters and to confer with Justice attorneys on these matters. The field investigators under Pension and Welfare Benefits Program will be trained to be more aware of criminal matters since prior emphasis was placed on civil litigation.

To display our close cooperation now with Justice, Labor sends to Justice a monthly listing of cases that are synopsized and where civil action has been recommended to our Solicitor. Justice and Labor then exchange all relevent information desired concerning these cases. Justice also advises Labor of cases pending that pertain to labor organizations and their benefit plans.

In addition Labor has now directed all LMSA field offices to have regular meetings with the U.S. Attorney's office, local FBI and the Office of Inspector General offices to exchange information in order to eliminate duplication of investigations as well as to assist each other to obtain program goals.

Question: What can you report on the success or failure of this policy in referring evidence of violations to the Department of Justice for potential prosecution?

Answer: We believe our actions to date have been successful. In the past, we did not keep a record of these actions. We are presently putting into place a Management Information System that will track this information so that in the future we will be able to answer this question with more clarity and statistical results.

Question: How many referrals to the Justice Department were made in fiscal year 1982?

Answer: In FY 1982 a total of 335 LMSE referrals were made to the Justice Department. Of this number 178 were accepted by Justice for prosecution and in the remaining 157 prosecution was declined for various reasons.

OFFICE OF PENSION AND WELFARE BENEFIT PROGRAMS

I note that in the January 21 Federal Register, the Pension and Welfare Benefit Programs Office published a notice of a proposed tax exemption for a one-man pension plan with total assets of $300,000. In the words of the notice, "Because Mr. Storm is the only participant in the Plan and sole stockholder of the Employer, it has been determined that there is no need to distribute the notice of pendency to interested persons."

Now it costs the government $408 a page to print the Federal Register. This notice covered more than one page and undoubtedly took a substantial amount of staff time to prepare.

Question: How many notices of this kind are published in the Federal Register by your Department each year?

Answer: Records of the Pension and Welfare Benefit Programs, the component of the Department of Labor charged with enforcing the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), indicate that out of approximately 225 exemptions published in calendar year 1982, less than ten notices of proposed administrative exemption involved a one-man pension plan.

Question: Don't you think its a waste of the government's time and money to require publication of this sort of material in the Federal Register, and, if you do, what steps are you taking to correct the situation?

Answer: The responsibilities of the Department with respect to the processing of administrative exemptions from the prohibited transaction provisions are contained in section 408(a) of ERISA. This section states that "before granting an exemption...the Secretary shall publish notice in the Federal Register of the pendency of the exemption, shall require that adequate notice be given to interested parties and shall afford interested persons opportunity to present views." The statute does not distinguish between the various types of plans; therefore, the Department has no alternative to the publication of such notice.

In an attempt to reduce the cost to the government for the printing of administrative exemption actions in the Federal Register, the Department has recently revised the format for publication of such agency actions. The Department expects this revision to result in a substantial cost savings in its Federal Register printing costs in this area.

OFFICE OF WORKERS' COMPENSATION PROGRAMS

Question: Although your justification material indicates that a pilot project to conduct activity checks on claimants receiving Federal Employees' Compensation Act benefits has been successful in uncovering fraudulent claims, your September 30 Inspector General's report talks of "the seriousness of continuing internal control weaknesses" in the Office of Workers' Compensation Programs. What are these weaknesses and what steps are you taking to address them?

Answer: OWCP is taking the following steps to resolve the internal control weaknesses as discussed in the "Semiannual Report of the Inspector General, April 1 - September 30, 1982." The weaknesses identified by the Inspector General were described in the report, and we are responding by the areas identified as having internal control weaknesses.

Medical Provider Fraud

Beginning in August 1982, the FEC program began to require that medical bills, except those from hospitals and pharmacies, be submitted on the American Medical Association Health Insurance Claim Form, a copy of which is enclosed with our instruction sheet. This form, in addition to containing all needed information in a standard and explicit format, requires the signature of the physician or other provider certifying that services were performed as described on the form. Providers are encouraged, and will eventually be required, to identify procedures using the Physicians' Current Procedural Terminology code, a very precise coding system. This provides the program with needed accountability, should a question arise about the validity of the billing submitted. The claimant's signature is also required, certifying that he or she received the services described. The American Hospital Association recently adopted a standard form which contains a space for signature by someone in authority to certify that services were rendered, and we have asked the Office of Management and Budget for clearance to adopt this form.

Also within the last few months, the CA-91 (Medical Payment Verification Report) became a regular feature of our security program. This report is generated from the computer history records for each claimant's case, and lists, by physician, date of service, and amount, all payments made during the quarter on behalf of the claimant. Claimants are asked to write the National Office if payments are listed for services of which they have no record, and steps are taken to verify any unexplained charges.

Claimant Fraud

Computer Matching-The Division of Federal Employees' Compensation is conducting or completing a number of matches designed to discover claimants receiving simultaneous payments from benefit systems which are prohibited by law, and to identify claimants who are receiving unreported earnings for work while being paid compensation for total disability.

- -FEC received the results of an OIG match between Black Lung recipients and compensation recipients which identified seven cases on which dual benefits were recorded. All of these cases have been resolved.

- -FEC transmitted raw hits from an OIG match between OPM and FECA rolls to its district offices, and is evaluating the responses before transmitting them to OPM. OPM will supply information from its records, and each case will be resolved by the district office.

- -A routine use notice for a match between state employment records and FEC rolls was published on February 8, 1983. After a match announcement is published in the Federal Register, and agreement letters are received from the pilot states, probably by the end of March, the match will be run. If this match is effective in identifying periodic roll recipients who are in receipt of earnings which they are not reporting to OWCP, the match may be extended to those other states which have similar wage data.

Debarment-Under the Federal Employees' Compensation Act, a claimant has initial free choice of physician, and the Office has not had specific legislative or regulatory authority to systematically exclude providers who are found guilty of deceptive or abusive practices, or who exhibit patterns of overbilling and overcharging. However, the Secretary is empowered by the Act to impose restrictions on the claimants choice of a treating physician. Therefore, the program is seeking regulatory authority to put in place a debarment process, whereby providers are subjected to exclusion from the program by the Director if a pattern of abuse is shown, or if a conviction of fraud is recorded against another benefit program, and if appropriate due process procedures have been followed before the exclusion. We expect to be able to publish proposed rules for comment early in the year and to implement this program in May 1983.

The legislative reform package that was forwarded to the Speaker last year (March 30, 1982) had a provision that reimbursement not be made to providers convicted of fraud against similar programs or debarred from them, or found to have made false statements to the office. Any revised legislative proposal will have a similar provision.

Bill Payment System Protection

Modifications to bill-pay processing procedures and to the Level I bill payment system continue to be made to increase our protection against both internal and external fraud.

A screening program was introduced to ensure that bills on long-dormant, inactive or denied cases, and cases sent or transferred to other offices, were arrested before processing and reviewed by claims or supervisory personnel. A current enhancement of that system is being transmitted this week.

Payees not previously verified as legitimate and entered in a Master Provider File will not receive payment. The Master Provider File is controlled by the Systems Manager and cannot be entered without a password. Monthly lists are sent to each district office against which new providers must be compared, and a quarterly purge of the computer file is a requirement for the Systems Manager.

In the newly transmitted bill payment program, there will be an additional edit prohibiting payment when the tax identification number used to identify a provider is the same as the claimant's social security number. The various edits are designed as a first line of protection, covering the kinds of case files generally used to perpetrate internal fraud.

In addition, we have in place a series of supervisory review and check procedures, involving verification of correctness of payment of bills. Under the fee schedule program, an additional level of review will be involved, since bills will move from mail-and-file review for completeness, through screening for case status, signature and correct form, to a medical coder, and only then will they advance to the bill examiner and bill supervisor, for examination and approval. Finally, the bill data is keyed by a data entry clerk. Printed reports of all bill activity are reviewed the next morning by the bill supervisor or fiscal officer.

The National Office developed a report, the CA-91, which summarizes all bill payment activity in individual cases. This report is sent quarterly to claimants, with a National Office return address. If a claimant does not recognize a payment as appropriate, he or she notifies the National Office. Appropriate information is passed on to the district office management, or to the OIG, if there is any evidence of fraudalent payment.

Security and Loss Prevention

Payments to medical providers were limited to providers identified in advance as legitimate and entered in the computer storage bank by tax identification number. New entries into the list will be controlled by management personnel.

Lists of health care providers suspended or terminated from participation in Medicare, and lists of those whose licenses were revoked or suspended by State medical boards, were disseminated to distict offices for checking and flagging provider files.

Regulations for the Solicitor's opinion, were prepared and revised, allowing FEC to debar providers under certain circumstances.

Physical security controls in district offices were enhanced particularly for mail and file and computer areas.

An Automated Compensation Payment System (ACPS), which eliminates errors in computation of benefits, was installed.

Computer operations are protected by validity edits, frequently changed passwords, and other devices to prevent unauthorized individuals from creating or altering payments.

System alterations were made to prevent payment to addresses other than those certified by examiners and entered in the master file by systems manager. This prevents mailing of checks to addresses created for purposes of fraud.

A form report, completed by claimants, also asks them to verify paid medical services, to guard against fraudulent bills.

Monitoring and control of manual compensation payments were intensified, and review procedures for bill payments were increased, to help assure accuracy and validity of payments.

Limits were placed in the system beyond which medical charges must be reviewed by claims examiners before bill payment.

Reports, to district offices, of cases and physicians paid unusually high amounts or paid unusually often were released for their examination and verification.

NEW FARM WORKERS PROTECTION LAW

Question: In December 1982, Congress passed legislation to replace the Farm Labor Contractor Legislation Act. What is the status of regulations to implement the newly enacted Migrant and Seasonal Agricultural Worker Protection Act?

Answer: The Department has had discussions with various interest groups and has developed proposed regulations which are now being finalized for clearance and publication.

Question: Are you requesting any additional staff to implement this new law?

Answer: No. The resources which had been allocated for the enforcement of the Farm Labor Contractor Registration Act will be reallocated to the new law. It is expected that this current level of staffing will be able to adequately enforce the new law and provide needed information to assist employers in learning about their obligations under the law.

Question: In what ways do you expect this new law will improve protection of farm workers?

Answer: The new law continues in effect important worker protections that existed under the Farm Labor Contractor Registration Act. In addition to obligations on "crewleaders," however, the new law also applies to certain agricultural employers and agricultural associations and provides:

- requirements for preemployment notification of working conditions and recordkeeping with respect to both migrant and seasonal agricultural workers;
- housing safety and health standards to be met by anyone who provides housing for migrant workers;
- motor vehicle safety standards and insurance requirements to be met by covered employers who provide transportation for migrant and seasonal agricultural workers.

WOMEN & MINORITIES

Question: The President's State of the Union message indicated the Administration plans to vigorously enforce laws affecting women and minorities. What are you doing to strengthen enforcement of Executive Orders and statutes prohibiting employment discrimination by Federal contractors on the basis of race or sex?

Answer: The Office of Federal Contract Compliance Programs (OFCCP) is taking a number of steps to increase our "presence" in the contractor community and improve the overall effectiveness of the compliance program designed to protect minorities and women from job discrimination and promote affirmative action in hiring and promotion. These include proposed regulatory changes which will permit the coverage of a greater number of contractors with existing resources, external initiatives to assist contractors in fulfilling their obligations, internal measures to improve productivity.

The regulatory changes would reduce contractor paperwork, and also introduce more flexibility into the OFCCP compliance review process, permitting simplified forms of review for smaller contractors and more focused reviews of contractors who are found to be in non-compliance early in the review process. This will enable OFCCP to cover a greater number of contractors.

Voluntary affirmative action initiatives have been introduced both to reduce the confrontational aspects of the compliance process, and also to expand the results achieved by the program with little additional expenditure of OFCCP resources. We are making it known, for example, that contractors may contact OFCCP outside of the compliance review process for assistance in meeting their affirmative action obligations. We are also encouraging the formation of Liaison Groups of employers and others in a particular industry or area. OFCCP is not a member of these groups, but acts as a resource for them.

Internally, OFCCP has established a variety of management controls and procedures to improve productivity and assure consistency, timeliness and quality of work. An equitable, objective, and statistically sound process has been instituted for the selection of contractors for compliance review, based upon data in the contractors' annual EEO-1 form submissions. Complaint handling procedures are continuing to be steamlined to assure rapid and equitable resolution of complaints. A series of performance standards have been implemented, and tied, in conjunction with our operating plan, to merit pay evaluation. Finally, there are several methods we use to assure work quality monitoring of cases in progress by local managers, regional review of case consistency and quality, and periodic national office review and comparison of performance among the regions.

In concert, these management initiatives and controls have contributed to a more consistent, more productive, and more result-oriented compliance program.

Question: How many staff years of effort will be devoted to enforcement activity in Fiscal Year 1984, compared to Fiscal Year 1983, for Federal contractor antidiscrimination cases?

Answer: The number of staff years devoted to enforcement in FY 1984 will be the same as FY 1983. The Office of Federal Contract Compliance Programs (OFCCP) has 136 persons in the National Office, most of whom are concerned with enforcement policy and support to the field. Of the total 979 positions, 843 are assigned in the field and are quite directly involved in enforcement activity. However, as the workload data in the budget submission indicate, the number of enforcement actions undertaken, principally compliance reviews and complaint investigations, will increase in FY 1984 due to increases in productivity, and regulatory and procedural changes.

COTTON DUST STANDARD

Question: What is the status and projected rulemaking schedule for your Cotton Dust Standard?

Answer: A proposed revision of the cotton dust standard is currently under review at OMB.

OSHA plans to publish the proposed revised standard for occupational exposure to cotton dust in March 1983. A period for receipt of public comments and hearings would follow during the next six months. We anticipate publication of the final standard in December 1983.

Question: What effective changes do you expect to make in the existing standard?

Answer: A major focus of OSHA attention has been the scope of the standard, that is, the number and types of industries that are regulated by the Cotton Dust Standard. To date, Court-ordered or previous administrative stays have limited the application of the standard to the textile industry. OSHA is analyzing the health effects data to determine whether workers in non-textile industries where airborne cotton dust is present have a significant risk of material health impairment.

OSHA is also evaluating the cost-effectiveness of the standard. OSHA's experience over the last few years indicates that some changes in the provisions of the standard may be useful. For example, most provisions of the standard apply to all workplaces where airborne cotton dust is present, regardless of the amount. OSHA may modify the standard's requirements to recognize the decreased and minimal risks at low (below the permissible exposure limit) dust concentrations.

CONTESTED CITATIONS

Question: According to a General Accounting Office report, when employers contest OSHA proposed penalties, Labor generally negotiates with employers and settles for substantial reductions in the penalties. Doesn't this result in inequitable treatment for those employers who pay the full amount of the proposed penalty without contesting it?

Answer: In FY 1980, employers were contesting the result of almost one-fourth of all inspections that yielded citations. That meant that the cited hazards, at times, remained uncorrected until the dispute was resolved in the legal process. Consequently, steps were taken to place increased emphasis on the use of informal conferences between employers and OSHA Area Directors. These conferences are intended to clarify the basis for the agency's decisions, address employer grievances, and ultimately, whenever possible, arrive at settlement agreements under which the employer agrees to comply. The result has been a dramatic drop in contested cases, from 22 percent of all OSHA inspections in FY 1980 to five percent in FY 1982; through January of this year, the contest rate has been four percent. The result of this change has been immediate abatement of the hazards in question and a better atmosphere in which employers and the agency can work constructively to solve their mutual problems.

Those employers who choose to contest either a citation or penalty or both are exercising a legal right. This does not result in inequitable treatment since the right to exercise this option is equally available for all employers to choose. Further the low rate of contest does not appear to suggest that either the size of the penalties or the appeals process are motivating factors in intiating employer contests.

ACCIDENT REDUCTION IN MINES

Question: What impact on mine safety and health do you anticipate if Congress approves your planned cutback of another 196 enforcement staff for fiscal year 1984--on top of the 85 staff eliminated in fiscal 1983?

Answer: The 1984 budget proposal will actually enhance miner safety and health by allowing resources to be targeted in those areas where they are most needed.

Of the 196 position reduction in Enforcement, 78 is associated with the legislative proposal to the Mine Act which would allow Secretarial discretion in determining the frequency of inspections at surface mines. A total of 5,602 inspections at less hazardous mining operations would be eliminated. This change would give MSHA the flexibility to concentrate on serious health and safety problems at all mines. In addition, special accident reduction programs designed as a cooperative MSHA/Labor/Industry effort to reduce accidents will continue in both the Coal and Metal/Nonmetal programs.

MSHA has made a commitment to improve the efficiency of its safety and health program operations, and most of the other reductions are a result of identifying and implementing the changes. For example, coal inspectors will attend classes at the Academy every three years rather than annually since on-site training is continually provided by the district offices. Also, saturation spot inspections will be eliminated since many of the principles and techniques used have been incorporated into the regular inspection program.

Question: Over the past fiscal year, you have generally attempted to protect the safety and health of miners with fewer Federal employees. How well have you succeeded from an accident reduction standpoint?

Answer: The all injury incident rate was lower in fiscal year 1982 than the previous year for both the coal and metal/nonmetal mining industries. However, no direct correlation can be drawn between the improvement in safety and the number of MSHA employees. MSHA actually hired 199 new coal inspectors in 1982 while reducing overall employment. Furthermore, the metal/nonmetal statistics do not include industries excluded from MSHA's jurisdiction by P.L. 97-92 for the period December 15, 1981 through July 17, 1982.

Protecting the miner's safety and health is MSHA's main objective and as 1982 statistics indicate this was accomplished with fewer employees. In fiscal year 1982 MSHA reorganized to place education and training functions and conferencing of citations under the District Managers' control. This not only allowed substantial employment reductions because of increased efficiencies, but gave the District Manager all the tools necessary to work with industry and labor to make mining a safer industry.

CPI REVISION FY 1984 INCREASE

Question: Please explain why you need 102 additional staff and an increase of $4,837,000 for Revision of the Consumer Price Index.

Answer: The budget for the Prices and Cost of Living Activity includes the resources necessary for normal production and maintenance of the Consumer Price Index. It does not, however, include resources for the periodically required major revisions of Consumer Price Index (CPI). Since the last revision was begun more than ten years ago, there have been shifts in population, changes in consumer purchasing habits, advances in the technology and concepts of index construction, and significant increases in the demand for CPI data.

The budget request for the CPI Revision funds an array of activities which will come together in January 1987 producing a revised index. These activities include updating the CPI sample of pricing areas, revising the CPI market basket of goods and services to account for shifts in expenditure patterns, improving measures of price change, modernizing computer systems, production of error measurement, and developing quality control procedures.

The estimates of resources necessary to complete the revision of the Consumer Price Index are based on the program's multi-year planning framework and the major activities required to meet revision objectives. When resources are made available in FY 1984, work will begin on each of the major revision activities described above.

TOTAL COST OF CPI REVISION

Question: What will be the total cost of this project before it is completed in 1988?

Answer: The cost of the revision of the Consumer Price Index is estimated at approximately $41 million for Fiscal Years 1984 through 1988. These estimates do not include adjustment factors for future salary increases or other mandatory changes.

MULTI-YEAR AVAILABILITY FOR CPI REVISION

Question: Why do you need special bill language to extend availability of this $4,837,000 Fiscal Year 1984 appropriations through September 30, 1988?

Answer: The on-going work of the CPI is a monthly production cycle with established and defined procedures. A revision of the CPI, by comparison, is a multi-year, major project effort, composed of many non-routine activities.

The primary need for multi-year funding of the CPI Revision is improved program management. The commitment of the Bureau to a rigid schedule of activities that will culminate in the publication of a revised index by January 1987 requires a concomitant ability to commit adequate resources to specific projects which cut across fiscal years. Uncertainty of resource availabilty was one of the reasons completion of the last revision of the CPI was delayed.

Multi-year funding authority for the FY 1984 request would allow the unobligated balance at the end of the fiscal year to remain available for obligation through FY 1988. This appropriation would be still subject to the same principles of accountability as annual appropriations.

TEAMSTERS PENSION FUND

Question: We understand the Department of Labor and the Teamsters' Central States Pension Fund recently entered into a consent decree that imposes new safeguards over the Fund's $3.5 billion assets. Can you please briefly describe the terms of the consent decree?

Answer: For over 16 months representatives of the Department and the Teamsters' Pension Fund met almost 30 times to negotiate the terms of a consent decree. On September 20, 1982, the parties reached final agreement and executed a consent decree that will assure the participants and beneficiaries of the Pension Fund that Fund assets are professionally managed and preserved for many years into the future. The consent decree contains virtually all of the safeguards that the government had been seeking for over seven years -- and more. The decree:

1. Requires management of Teamsters' Pension Fund assets by a top-notched, independent, professional asset manager and prohibits the Fund trustees from having any input into management of any assets or investment decision.

2. Places strict controls on funds used by the trustees to pay benefits and administrative expenses.

3. Establishes an independent special counsel (former Attorney General William B. Saxbe) who will have complete access to Pension Fund files and meetings, oversee compliance with the consent decree, and issue regular reports to the supervising federal district court.

4. Requires removal of trustees and employees if they are convicted of relevant crimes.

5. Obligates the Pension Fund to cooperate with the Department of Labor in its continuing investigations.

6. Requires compliance with ERISA and with conditions imposed by the Internal Revenue Service in letters determining the Pension Fund's eligibility for tax-exempt status.

7. Subjects the Pension Fund to the jurisdiction of the federal district court in Chicago for 10-15 years or

more and gives the court supervisory power over the administration of the Fund.

SAFEGUARDS UNDER PENSION FUND CONSENT DECREE

Question: In your opinion, do you believe the new safeguards under the decree will satisfactorily resolve the significant problems noted in the GAO and Senate Permanent Subcommittee on Investigation reports on the Government's investigation and dealings with the Fund's trustees?

Answer: Yes. The recommended safeguards proposed in the April 28, 1982, GAO report to prevent abuses of the assets of the Central States, Southeast and Southwest Areas Pension Fund have all been implemented through the imposition of the consent decree.

As you know, the principal reform recommended by the GAO (GAO Report at page 83) was that the Government "... obtain a commitment from the trustees for the Fund to continue to have an independent investment manager to control the Fund's assets and investments..." and to limit the trustees' roles and responsibilities to establishing overall investment objectives, determining eligibility requirements, monitoring the investment manager and administering relevant collective bargaining requirements (GAO Report at page 84). The report recommended that these safeguards be incorporated into an "enforceable agreement" (GAO Report at page 84).

This is precisely what the consent decree accomplishes. By placing the Fund's assets and investments in the hands of a named fiduciary for a period of up to fifteen years, and even longer, it removes the trustees from all control or influence over the day-to-day management and investment of the Fund's assets, and restricts their activities to making recommendations as to the overall investment policy and to monitoring the named fiduciary.

OFFICE OF THE ASSISTANT SECRETARY FOR POLICY

Question: You are asking for 10 new economists for the Office of the Assistant Secretary for Policy at an increased cost of $405,000. What specifically would you do with 10 more economists, in an Office that already has 157 positions?

Answer: The Office of the Assistant Secretary for Policy has a current budget of only 45 full-time equivalent staff. Recent changes in the Department and the administration have resulted in new demands on the staff resources of the Office of Policy. These changes include the restructuring and upgrading of the Policy Review and Coordinating Committee (PRCC), formerly the Policy Review Group, and a significant expansion in Cabinet Council activities. The PRCC is now headed by the Secretary instead of the Under Secretary and the Office of Policy has assumed a full staffing responsibility. In addition, the need for analytic support for Cabinet council activities has increased significantly as a result of increased Administration experience with the Cabinet Council structure. The increased Cabinet Council activity has been reflected in an increase in interagency working groups dealing with specific issues. In order to meet these new responsibilities, the Office of Policy has had to reallocate staff from more traditional functions, such as providing technical assistance to DOL agencies in the research and evaluation areas and preparing recommendations and analyses with respect to long and short-term economic trends.

The addition of 10 staff positions in FY 1984 will permit the Office of Policy to not only maintain its expanded roles in providing staff support to the PRCC and Cabinet Council activities, but also fulfill those functions that have been neglected as a result of the reallocation of staff resources. These functions are:

1. Research and Evaluation Planning, Oversight and Technical Assistance - The Office of Policy traditionally has implemented a variety of Departmental research and evaluation activities, including:

   * a Departmental planning process designed to ensure that research and evaluation plans throughout the Department focus on the most relevant policy issues and reflected Secretarial priorities.

   * the provision of technical assistance to DOL agencies in the design and implementation of major research and evaluation projects to ensure methodological soundness of such projects.

   * the synthesis and integration of research and evaluation results into analyses of policy options.

   Seven of the ten requested positions will be focused on such research and evaluation activities.

2. Analyses of short and long-term economic trends - another traditional function of the Office of Policy has been the preparation of analyses that assess the implications of short-and long-term economic trends for the formulation of Departmental policies and programs. The preparation of such analyses has been virtually eliminated in the past two years because of staff shortages and the increased emphasis on short-term policy analyses and formulation. The Secretary now wishes to devote more staff resources to this activity.

Three of the ten positions requested will be devoted to this activity.

OFFICE OF THE ASSISTANT SECRETARY FOR POLICY NAME CHANGE

Question: Why did you shorten the Title of this Office from its former name of "Office of Assistant Secretary for Policy, Evaluation and Research?

Answer: The name was changed to emphasize the fact that the Secretary has designated the Assistant Secretary as the principal policy official in the Department. This is reflected in part by his new role as executive secretary to the Policy Review and Coordinating Committee, where the Assistant Secretary is expected to play an instrumental role in shaping and formulating all policy options in the Department, for review and decision by the Secretary.

The name change does not, however, reflect a deemphasis of the traditional research and evaluation functions of the Office. In fact, the request for 10 additional positions is intended to allow the Office to more adequately carry out such functions.

DEPARTMENTAL POLICY, RESEARCH AND EVALUATION ACTIVITIES

Question: Will this expansion of Departmental Management staff in any way decrease the policy, research and evaluation activities now carried out in various Labor Department agencies?

Answer: No. The requested increase in staff for the Office of Policy will be used to augment and supplement the research, evaluation and economic analysis activities now carried out in various Labor Department agencies. The increased staff is needed to provide technical assistance to the various DOL agencies in order to correct for the general lack of quantitative economic skills in those agencies. It is essential that such staff be added to a central Departmental unit, such as the Office of Policy, because the staff will also be responsible for Departmental oversight functions.

VETERANS REEMPLOYMENT RIGHTS

Question: During the last session of Congress, legislation was passed requiring the transfer of the Veterans Reemployment Rights (VRR) program from the Labor-Management Services Administration to the Office of the Assistant Secretary for Veterans' Employment. When will this transfer take place?

Answer: On February 3, 1983, Secretary's Order 1-83 was signed which directed the transfer of the VRR program from the Labor-Management Services Administration to the Office of the Assistant Secretary for Veterans' Employment.

Question: What impact will the transfer have on administration of the Veterans' Reemployment Rights program?

Answer: In the immediate future there will be little change in the administration other than the obvious shift of responsibility to the OASVE. We are currently studying the situation to see if organizational changes within the OASVE, the Office of Veterans Reemployment Rights and the Veterans Employment Service might lead to even more efficient administration of the program in the long run. We are confident that productivity will increase and be reflected in the length of time required to resolve VRR cases.

NEW VETERANS PROGRAMS

Question: The new job training legislation authorizes a separate program of employment-related services for veterans, to be administered through the Assistant Secretary for Veterans' Employment. What types of activities will be conducted under this program and how will they be coordinated with other Department of Labor activities for veterans and with programs operated by the Veterans Administration?

Answer: The Office of the Assistant Secretary for Veterans Employment provides Departmental liaison with the Veterans Administration and is currently reviewing the VA-DOL Agreement concerning operational linkages at the national and State levels. The Agreement covers such things as cooperative efforts in the areas of outreach and public information, linkage of VA and DOL on-the-job training programs, and outstationing of Disabled Veterans Outreach Program employment specialists in VA hospitals, outreach centers and contact offices.

The Veterans Employment programs authorized under Title IV C of the JTPA emphasize utilization of the existing VA,JTPA, and State Employment Service agency resources. The OASVE plans to make grants available to States which have identified veteran target groups as special priorities within their programs under other JTPA titles as an incentive to the States and to enhance the services the States could otherwise provide. Since veterans' needs vary from one area to another, the programs funded by the OASVE will include a mix of activities, including such things as: selective placement efforts for special disabled veterans, on-the-job training and supportive services.

MINORITY EMPLOYMENT IN THE DEPARTMENT OF LABOR

Question: Can you give the Committee a break-down for the record of the number of women and minorities that are employed at grade GS-12 and above and also indicate the percentage of your total women and minorities workforce employed at these levels. Finally, I'd like to know what percentage of your GS-12 and above jobs are held by women and minorities?

Answer:

Grade Level		Black	%	Hispanic	%	Asian Indian	%	Oriental	%
GS-12	4,781	640	13.4%	239	5.0%	29	.6%	32	.7%
GS-13	2,834	431	15.2%	107	3.8%	20	.7%	35	1.2%
GS-14	1,197	133	11.1%	39	3.3%	6	.5%	10	.8%
GS-15	642	66	10.3%	20	3.1%	--	--	4	.6%
GS-16	53	2	3.8%	--	--	--	--	--	--
GS-17	6	2	33.3%	--	--	--	--	--	--
SES	157	16	10.2%	3	1.9%	2	1.3%	--	--
Total	9,670	1,290	13.3%	408	4.2%	57	.6%	81	.8%

Number of Women at GS-12 and above and percentage at these levels

GS-12	884	18.5%
GS-13	564	19.9%
GS-14	193	16.1%
GS-15	63	9.8%
GS-16	4	7.5%
GS-17	1	16.5%
SES	18	11.5%
Total	1,727	18.0%

Number and percentage of positions at GS-12 and above held by Women and Minorities

GS-12 and above Total Employees	GS-12 and above Minorities	GS-12 and above Women
9,670	1,836 or 19%	1,727 or 18%

EQUAL EMPLOYMENT OPPORTUNITY

Question: When I chaired the HUD-Independent Agencies subcommittee I usually asked questions about each agency's record of providing equal employment opportunities for women and minorities. I know that you have some very qualified civil servants, such as Ms. Norwood, in both these categories. Could you give us some general idea of what sort of goals you have in the areas and what success you have had in meeting these goals?

Answer: There are 157 individuals in DOL SES positions, of those 18 are females or 11%. All but one of these females are in Washington, D.C. in policy making positions. Women hold 18% of Department of Labor jobs at GS-12 levels and above and minorities hold 19% of the jobs at those levels. Federal Agencies are required to mirror the Civilian labor force with regard to minority employment. Since minorities make up 12.5% of the civilian workforce, the Department surpasses this requirement. The Affirmative action Goals for most agencies in the Department for FY 1983 include increasing the percentage of jobs held by women.

UNEMPLOYMENT INSURANCE PROGRAM SAVINGS

Question: Your Inspector General's last semiannual report indicated that substantial resources had been dedicated to an audit of the benefit payment control system for the Unemployment Insurance Program. The work is still underway but the results thus far indicate significant amounts of State and Federal money could be saved. When will this work be completed and what sort of savings can we look forward to?

Answer: The Benefit Payment Control audit has been completed. The draft report will be issued this spring. The field work was performed at ten state unemployment agencies, and savings based on the audit recommendations cannot be quantified over the entire system. However, if all recommendations are implemented by the state agencies, a substantial reduction of benefit overpayments can be achieved.

VOCATIONAL TRAINING OPPORTUNITIES FOR WOMEN

Question: What initiatives are planned to expand vocational training opportunities for women?

Answer: By FY 1984 the Job Training Partnership Act will be fully implemented at a level of $3.6 billion. JTPA funds of $1.9 billion for Block Grants to States are to go specifically for training activities for disadvantaged youth and adults. The JTPA requires that 70% of these funds be allocated for training activities. A broad range of activities are authorized and include vocational training. The legislation also requires that efforts be made to provide equitable services to AFDC recipients and high school dropouts. Women comprise a substantial segment of this population. Where local Private Industry Councils (PIC) include vocational training in their plans, it is anticipated that a substantial number of women will be served by JTPA.

The Women's Bureau of the DOL is working to expand the vocational opportunities for women through a program known as Women in Nontraditional Careers (WINC). WINC is an instructional model developed through the Women's Bureau support for use with high schools and organizations concerned with youth employment to teach women career planning skills. The Bureau is currently conducting workshops for administrators, sex equity coordinators, vocational counselors and others to guide them on adopting the WINC materials to assist young women in their understanding the need to make realistic and informed career plans, particularly nontraditional careers.

The Women's Bureau is also sponsoring an initiative in conjunction with the Rockefeller Foundation aimed at providing training for single heads of household. The Women's Bureau has made funds available to promote and initiate employer sponsored child care services to participants in training through the Rockefeller funded program. Without support for these services, some women would not be able to participate in the training.

FEDERAL MANAGEMENT AND EMPLOYMENT POLICIES

Question: What criteria does the DOL use to insure that grantees conform with Federal management and employment policies?

Answer: The Department of Labor uses the OMB circulars relating to financial and management criteria for grantees, as well as DOL and ETA regulations that prescribe program and management policies that are required of grantees. In addition, a series of administrative issuances have been sent to grantees in the form of field memoranda which also are used to inform them of criteria to which employment and training programs must conform.

Question: How does the Department insure that its grantees abide by these policies?

Answer: The Department monitors grantees on a periodic basis, performs formal assessments yearly, and requires audits at least every two years. In cases of special problems, investigations are carried out by the Office of the Inspector General.

Question: If you find a case of possible lack of compliance, how do you make sure they are corrected?

Answer: Corrective action plans are generally imposed on grantees where noncompliance is found. They include special reports from the grantee regarding progress in correcting deficiencies, timetables for completion and followup visits by DOL to assure that compliance has been carried out.

GREEN THUMB

Question: Specifically, I would like to bring your attention to recent publicity that indicates irregularities in Oklahoma by one of your grantees, Green Thumb, under the Older Americans Act. What did the Department of Labor do to correct this situation?

Answer: At the onset, it should be noted that the irregularities in discussion were the subject of two separate audits. The Green Thumb internal audit initially surfaced these irregularities and they were subsequently mentioned in a DOL audit. As you know, DOL audits the Title V grantees, including Green Thumb, periodically for compliance with financial and regulatory requirements. National Green Thumb also has a staff to audit and monitor the program performance of the various State programs on an on-going basis. Green Thumb reports program costs and practices questioned by these internal auditors to DOL.

A routine internal audit was begun on August 10, 1981. As a result of a preliminary review of travel documentation, an employee was placed on administrative leave and National Green Thumb notified DOL that some Oklahoma travel vouchers were questionable. On August 27, 1981, National Green Thumb terminated the employee, who tendered an offer to make restitution for any disallowed travel expenses.

Question: The same Oklahoma audit refers to unusually large bank balances of federal funds in a bank in which the president of the sponsoring organization (National Farmers Union) was also the chairman of the board of the bank in which the program funds were deposited. (The bank was neither the most convenient nor minority owned.) What is the Department's response to this?

Answer: National Green Thumb continued the audit of the Oklahoma operation compiling a schedule of amounts owed by the terminated employee and another former employee, relating to discrepancies in documentation of travel, misuse of official telephones, and misrecording of time and attendance. The audit also surfaced two other concerns, namely the use of a bank in which an officer of Green Thumb's sponsoring organization had an interest and the maintenance in the account at this bank of larger amounts than necessary.

National Green Thumb resolved the latter two items by closing the account in question. The bank had been chosen in 1973, many years before the incumbent took office as President. National Green Thumb took the position that no one connected with NFU should be put in a position to gain from a Green Thumb decision and ordered the account changed to a minority-owned bank whose officers were not connected to NFU or Green Thumb.

National Green thumb also began a study of cash balances which resulted in a January 12, 1983, policy statement limiting the authority of State programs to maintain cash balances over precise amounts.

Question: I understand that efforts were made by employees of Green Thumb to correct this situation. What happened as a result of these efforts?

Answer: National Green Thumb's desire to recover the audit exceptions related to the two former employees was conditioned by the fact that a Federal Grand Jury issued two subpoenas for this documentation and Green Thumb deemed it unwise to proceed administratively and possibly prejudice the work of the jury. Both Green Thumb and DOL anticipated that the Justice Department would relay a fixed amount of disallowances which would be used as the basis for recovery. In retrospect, this deference may have been overly prudent and Green Thumb is proceeding to recover the amounts determined by the auditors to be owed to Green Thumb by the internal audit.

Question: What happened to the employees who called these irregularities to the attention of D.O.L. and N.F.U.?

Answer: The two auditors responsible for the Oklahoma Green Thumb audit have been promoted to higher poisitions in the audit unit.

Question: OMB's Circular A-122 has specific rules to assure that nonprofit organizations that receive Federal funds maintain a clear distinction between their political/lobbying efforts and the use of these grant funds. Following the investigation in Oklahoma, the NFU removed the president of Green Thumb and named it's own president as president of Green Thumb. Are these actions within the intent of Circular A-122?

Answer: The Department of Labor has instituted regulations that forbid absolutely the expenditure of government funds for lobbying. 29CFR676.70 implements Section 123(g) of the CETA legislation and prohibits this activity. Additionally, the Department periodically advises its grantees of the importance of this prohibition, as in a recent letter sent to all ETA grantees. Specific to Green Thumb, this Department has no knowledge that the organizational structure of National Farmers Union/Green Thumb presents any violation of Departmental regulations or OMB Circular A-122. National Farmers Union and Green Thumb presently have the same president, which is a reversion to the organizational structure in force from 1965 to 1980. Inasmuch as the entire salary of the incumbent is paid from non-Federal NFU funds, there is no DOL limitation on thatindividual's lobbying activities. The chief operating officer of Green Thumb, Mr. Alec Olsen, whose salary is from Federal funds, is aware of the lobbying restrictions on his office, as attested to by correspondence from his office to the State offices. Each organization maintains separate offices, separate staffs and has separate budgets.

OLDER AMERICANS

Question: What kinds of safeguards does DOL require of sponsoring organizations to insure that the best interest of Older Americans is served?

Answer: Older Americans Act sponsors are selected on the basis of their management capability and their demonstrated ability to serve older persons. The nonprofit sponsors are audited by the Department on a regular basis and program monitoring is done periodically. Any deviations from the law, program regulations or failure to meet performance standards are noted and corrective actions taken.

Question: Does the Department concern itself with internal problems that grantee organizations may have which may reflect on Labor's management of the Older Americans program?

Answer: The Department concerns itself with the grantee organizations' overall performance. It does not interfere in the internal operations of a sponsor unless there is a failure to comply with appropriate legal requirements. In this regard, the hiring, promotion and discharge of workers is the responsibility of the project sponsor.

FEDERAL ROLE IN JOB TRAINING

Question: How do you characterize the Federal role in the new job training program?

Answer: The Department of Labor will continue to exercise oversight responsibility for the job training system, including financial and performance oversight to ensure national consistency to the program. We will review the States' administration of the system and will assure that programs are operated in accordance with the performance standards prescribed by the Secretary.

Question: Are you satisfied that the Job Training Partnership Act contains sufficient safeguards for the protection of Federal funds despite the reduced Federal role in terms of local program oversight and monitoring?

Answer: The Department feels that there are sufficient safeguards in the new Act. The Department has full authority to monitor and take other necessary actions at the local level when deemed necessary and appropriate.

Question: What activities will still be carried out by Federal regional office staff?

Answer: Federal regional office staff will continue to perform most of the basic functions performed in the past. Their focus will, however, be at the State rather than the local level, given the change in the administrative structure under JTPA.

TRANSITION TO JOB TRAINING PARTNERSHIP ACT

Question: Please describe the Department of Labor's plans for assuring an orderly transition from the Comprehensive Employment and Training Act to the new Job Training Partnership Act?

Answer: The Job Training Partnership Act (JTPA) designates FY 1983 as a transition year with the provisions of the act fully effective on October 1, 1983. The Department of Labor has established a general plan composed of the following goals to assure an orderly transition from the Comprehensive Employment and Training Act to JTPA:

- o CETA program operations will expire on September 30, 1983. Where appropriate, individual training programs begun before September 30, 1983 can be funded beginning October 1 by JTPA sponsors.

- o There should be an immediate start-up in enrollments for the new programs.

- o Operational and administrative systems should be in place at the State and local levels to ensure effective service delivery and safeguard the proper expenditure of funds.

- o An effective partnership between the public and private sectors should be in place consistent with the provisions of the Act to maximize program effectiveness.

In addition to guidance contained in the Act and the Regulations, the Department has developed a Technical Assistance and Training Plan. Working closely with business and public interest groups such as the National Alliance of Business and National Governors Association, the Department has established an ongoing relationship with the States to handle JTPA implementation. Each State has designated a State liaison person who is working with the Department. The Department intends to carefully monitor implementation and take whatever action is necessary to assure effective and efficient implementation.

Question: What is your timetable for ensuring that the new program is fully operational by October 1, 1983, and service delivery at the local level is not disrupted?

Answer: Instructions were issued in the Fiscal Year 1983 planning instructions which provide for managing the transition in a manner to assure that service delivery at the local level is not disrupted.

The Department has not imposed a specific timetable on the states. However, the Department is following the implementation closely and monitoring against target dates. We are also prepared to assist in solving problems which may inhibit a State's ability to fully implement the new program by October 1, 1983.

Question: Will the change in some States' governorships, as a result of the November 2 election, delay implementation of the new program in those States?

Answer: While we anticipate that some activities will proceed at a somewhat slower pace in some of those States, we do not expect that change in governorships will in fact result in any State not meeting the October 1, 1983, implementation date.

Question: How is the Department of Labor assisting States in meeting the new Act's implementation schedule?

Answer: As previously mentioned, the Department has established a number of systems to assist the States, including a TAT plan, close cooperation with business and public interest groups and a close working relationship with the individual States.

DISLOCATED WORKERS

Question: Congress appropriated $25,000,000 in December 1982 for startup costs of the newly authorized dislocated worker program. How soon will this program actually be operational?

Answer: The Department has requested States.to submit requests for the funds by March 1, 1983. It is anticipated that programs may be operational by as early as April 1, 1983.

Question: Since the law requires that only 75 percent of the funds be distributed to the States by formula allocation, what plans are you making for awarding the remaining appropriations at your discretion?

Answer: Plans have already been drafted for distributing the discretionary dislocated worker funds. It is anticipated that the final plans will be released within the next month.

Question: How will this new program be coordinated with existing trade adjustment assistance retraining activities, for which $25,000,000 is also available in Fiscal Year 1983?

Answer: Both of the programs are administered by the States, and necessary coordination occurs at that level.

SHIFT IN JOB TRAINING FUNDING

Question: Your budget proposes a significant increase in funding for retraining of dislocated workers, (+$215 million), which is more than offset by a reduction in block grant funding for job training of economically disadvantaged individuals (-$295 million). Nevertheless, the budget assumes more individuals will actually be served with reduced block grant funding, due to recently enacted legislation which restricts enrollee stipends.

Won't the fact that enrollee allowances are being severely curtailed result in excluding participation of many of those who need stipends to support themselves during training?

Answer: The Administration views the Job Training Partnership Act (JTPA) as a training program and not an income maintenance program. The curtailment of allowances will permit a larger percentage of the program funds to be used for training as opposed to CETA which utilized a major portion of its funds for allowance payments.

While the restriction on allowances payments might preclude some individuals from participating in JTPA, the overall effect will be that more economically disadvantaged persons will be served with the limited funds available. Even though the use of allowance payments has been curtailed under JTPA, the Act does provide for the limited use of funds for supportive services and needs-based allowance payments based on Service Delivery Area determination.

Question: How do you expect enrollees who don't receive unemployment benefits or welfare to support themselves during training?

Answer: The JTPA contains provisions for supportive services such as child care and transportation assistance for those enrollees (who are determined to need these services) to enable them to continue their participation in the program. The determinations as to which participants will receive supportive services are made at the service delivery level.

JTPA also permits payments to participants when these payments are determined by a needs-based formula, and are necessary to enable the individuals to attend a training program.

Question: Are you shifting costs to other public and private agencies to support enrollees during training?

Answer: The intent of the JTPA is that the service deliverer will coordinate with public agencies and the private industry, where appropriate, to provide employment and/or services to participants in training programs in order to assist them in supporting themselves during the training cycle. It is important to note that the on the job training concept remains an integral part of JTPA. Through this concept, the participant is hired and is paid by the private or public employer. Then, based on an agreement with the Service Delivery Area, the employer is reimbursed a specified sum. There is also authority under the Act to pay wages to work experience participants.

JOB TRAINING PAPERWORK

Question: Do you anticipate a reduction in the paperwork burden imposed on administrators of the new job training program, as compared with the Comprehensive Employment and Training Act?

Answer: Federal paperwork requirements will be substantially reduced under the new job training program. For example, the number of required reports have been reduced as well as the number of items required on the reports. It is estimated that the burden of reporting in hours alone will reduced by 83 percent.

Question: Will there be a reduction in the amount of regulations affecting grantees?

Answer: Regulations for the new job training program are substantially reduced. The new regulations will cover aproximately 11 pages in the Federal Register compared to approximately 80 for the CETA program.

SMALL BUSINESS

Question: How successful have you been in gaining the participation of small employers in Federal job training programs? (Background: President Reagan pointed out in his State of the Union message that 80 percent of new jobs are created by small businesses.)

Answer: Small employers have always participated in job training programs, especially through the on-the-job training activity. We would expect this participation to continue.

A significant contribution can be made by small employers toward the design of programs. For this reason, JTPA specifies that, whenever possible, at least one-half of the business and industry representatives on the Private Industry Councils shall be representatives of small businesses.

SUPPLEMENTAL/JOB TRAINING

Question: If Congress were to include additional funding for Labor Department job training programs in an urgent supplemental, what would be the impact of speeding up the effective date of the JTPA to May 1, 1983, instead of waiting until October 1, 1983, when this new law is scheduled to take effect?

Answer: Additional funds at this time would not aid in speeding up implementation of JTPA. In fact, additional funds could be a hindrance to effective implementation. The activities going on under JTPA at the present time are administrative in nature; additional funds will not help in these areas.

Question: How would you resolve administrative problems if Congress increased Fiscal Year 1983 training and employment "block grant" funding during the transition from CETA to the Job Training Partnership Act?

Answer: Increasing the Fiscal Year 1983 level of funding for the current programs would not create significant administrative problems, but would almost surely create insurmountable operational problems, especially this late in the fiscal year. Prime sponsors would be hard put to even use these funds, much less use them effectively given the other activities they are faced with at this time.

PAST EXPERIENCE WITH PERFORMANCE STANDARDS

Question: What experience did the Department of Labor have with performance standards under the Comprehensive Employment and Training Act (CETA)?

Answer: The 1978 amendments to CETA required that performance standards be developed by the Secretary. Such standards were developed and first implemented in FY 1982 and have been continued into FY 1983.

The standards provided for the first time for local differences in operating circumstances to be objectively considered in setting performance expectations. In other words, if the prime sponsor's unemployment rate is higher than the national average unemployment rate, the expected level of performance would be adjusted by a specific amount. By taking a series of factors (economic, participant characteristics, program design) and making specific adjustments for their impact, an expected level of performance could be predicted. Since such statistical predictions are not perfect and do not include all of the factors which impact on local performance, a range was set around the predicted level to account for such imprecision.

Using the approach described above, the Department implemented the use of the standards in reviewing and approving grants in FY 1982 and 1983. While the process was new and relatively sophisticated, it was received and accepted by both the regional offices and prime sponsors as a significant improvement over past grant review procedures, which were subjective and judgemental. Further reason for the positive reception was the fact that the development of the standards involved an advisory process which included the participation of all elements of the employment and training system.

Question: What lessons were learned in the past which could be used to avoid problems in the new job training programs?

Answer: In terms of implementing a system of performance standards, we learned the importance of an extensive advisory process and a thorough training effort to assure that those responsible for implementing the system clearly understood the process itself, if not the underlying statistical principles. We further learned that the system is wholly dependent on the quality of the historical data base which is used to predict performance. Without such a reliable data base, using the methodology described above is impossible.

Question: How successful have performance assessments been in improving the quality of CETA programs?

Answer: During the period from FY 1981 to FY 1982, in spite of a deteriorating national economy (the unemployment rate slipped from 7.6 to 9.7%), the performance of the system improved significantly. The entered employment rate for all Title II-B programs improved from 42.6% to 47.3%. Cost measures (unadjusted for inflation) held their own or decreased. While there may have been various reasons during this period for such improved performance, it was the first period where objectively set performance standards were in place for all prime sponsors. We think that the performance improvement, therefore, is at least partly attributable to the fact that for the first time prime sponsors had an objectively set performance level goal.

FORWARD FUNDING JOB TRAINING PROGRAMS

Question: The JTPA mandates nine months of forward-funding for most Labor Department employment and training programs, which would put them on the same funding cycle as most education programs. (Background: By only proposing to fund three months of forward-funding instead of nine months, the budget contains about $1.5

billion less than the amount currently required by law for job training programs.)

Why are you proposing that the appropriations committees change this substantive law, allowing only three months of forward-funding?

Answer: The Department plans to request three month forward funding rather than a nine months period because it is believed the three month period would provide the same advantages as the nine month period, while maintaining the annual fiscal flexibility necessary for the budget process. The nine month advance funding would require that the President's request for program funding be made one and one-half years prior to planned obligation and actual service delivery. This unnecessarily complicates annual funding decisions for these programs and reduces the Administration's flexibility in responding to the current unemployment picture and prospects for change.

Question: Have you requested the authorizing committees to change the law?

Answer: A formal request to change the forward funding provisions has not been made to the substantive committee. We believe that the change to three months advance funding could be accomplished by a technical change in the appropriation language. Therefore, there would be no need to request a substantive law change.

Question: If the Appropriations Bill fails to contain the legislative language you suggest, will you then request the full amount needed for nine months of forward funding required by law?

Answer: The three month request currently proposed for later transmittal would have to be reconsidered if such action were taken by the Congress.

"WORKFARE" PROPOSAL

Question: What role would the Labor Department or State Employment Security agencies have with respect to the Administration's proposed "workfare" program?

Answer: Under the Community Work Experience Program (CWEP), which is currently operating in 20 States, State welfare agencies may contract with State Employment Security Agencies for job search and related functions for CWEP participants, including the development of CWEP slots. In addition, it is expected that employment-related services under the Job Training Partnership Act (JTPA) will also be utilized.

Question: What kinds of jobs do you expect States to provide for welfare recipients?

Answer: Under the Administration's proposal, it is expected that States will continue providing the same types of work experience as they have provided under the optional AFDC Community Work

Experience Program. Under this program, recipients are placed in projects which serve a useful public purpose. Examples of the types of assignments being made are: weatherization of low-income housing; restoration of historic public buildings; transportation of senior citizens to medical care; delivery of meals to the elderly and disabled; and law enforcement activities. Such assignments are worthwhile both to the participant and to the community. They enable communities to continue to provide needed public services in times of budgetary constraints while they improve the employability and self-esteem of the participant.

Question: Even though the Department of Health and Human Services (HHS) appears to have the lead role on workfare programs, what efforts are you (DOL) undertaking to prevent make-work jobs, that lack sufficient vocational training to lead to permanent employment?

Answer: The Department of Labor does not have responsibility for overseeing the administration of the existing or proposed workfare programs. The primary responsibility for assuring that workfare assignments improve employability lies with the State agencies which operate the workfare program.

Nevertheless, the Department of Labor anticipates that AFDC recipients will be a major target group under the Job Training Partnership Act (JTPA). In that program, the emphasis will be on training and placement in regular jobs and our performance standards will reflect that policy emphasis.

WORKFARE DEMONSTRATION UNDER "WIN"

Question: Some States are now operating "workfare" programs as a component of Work Incentive Program (WIN) Demonstrations. If WIN is abolished, who will pick up staff and services it funds in connection with "workfare" activities?

Answer: If WIN is abolished it is expected that most of the funds for operating workfare programs will come jointly from the State agencies operating the workfare program and from Federal matching funds under CWEP or Title IVA of the Social Security Act (50-50 Federal-State matching). State welfare agencies operating workfare programs with these alternative funds would ordinarily pick up the staff operating workfare under the WIN Demo program.

In addition to this source of funds, States have access to social service block grant funds which can be used to provide support services to CWEP participants. Also, States have flexibility in using grants received under the Job Training Partnership Act to fund work experience activities.

Question: What evidence is there that "workfare" demonstrations under the WIN program have been effective?

Answer: The authorizing legislation for the WIN Demonstration program calls for evaluations after the first and third years of operation, and the Office of Family Assistance of the Department of Health and Human Resources has been delegated the responsibility for carrying out these evaluations. It is our understanding that

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at this time there are not sufficient data available on which to base an assessment of their effectiveness.

LAST YEAR'S ATTEMPTS TO TERMINATE THE WORK INCENTIVE PROGRAM (WIN)

Question: Why did the Administration direct State Work Incentive Program Offices in August 1982 to use their Supplemental Appropriations allotments in fiscal 1983 for closeout purposes, when there was no indication from Congress that the program would be terminated in fiscal 1983?

Answer: Instructions given to the States regarding plans for fiscal 1983 and the use of fiscal 1982 funds, including the supplemental appropriation, were consistent with the President's 1983 budget request and followed normal procedures. Guidance for the coming fiscal year is normally given to States based on the President's budget request and then revised, if necessary, once Congress acts on the request.

The President's 1983 budget request contained no new fundng for WIN, on the basis that States would be able to continue the most effective WIN-type activities under other legislative initiatives and funding sources. Accordingly, States were instructed to continue program operations, utilizing 1982 funds, only through September 30, 1982, and to carry over funds and staff only for closeout activities in fiscal 1983.

When it became clear that there was Congressional intent to provide funds for WIN in fiscal year 1983 through a continuing resolution, States were instructed immediately not to terminate operations at the end of fiscal 1982, but to continue services to program participants using 1982 carryover funds for necessary staff and services.

Question: What was the impact of this message and the subsequent September 29 telegram, which overrode the earlier instruction and told States to continue operating programs at current levels?

Answer: A combination of the Congressional continuing resolution of December 1981, which cut WIN funding by one-third from the fiscal year 1981 level, and the President's fiscal 1983 zero budget request and related instructions, made it necessary for States to cut back program operations by more than one-half by the end of the fiscal year. The September 29 telegram which was issued when it became clear that Congress intended to include WIN in the 1983 continuing resolution, averted further project closings and staff layoffs.

Question: Were any local offices permanently closed or personnel terminated as a result of the August instructions?

Answer: As a result of both the fiscal year 1982 funding cuts and the August instructions, the number of WIN local offices was reduced by about a third (from 1157 to 732) and the number of staff by more than half (from 12,217 to 4,820). Some staff rehiring and project reopenings are expected in fiscal 1983.

HATFIELD JOBS STIMULUS PROPOSAL

Question: As you may know, Mr. Secretary, the Chairman of the Committee, Senator Hatfield, has put together a jobs stimulus proposal that includes a number of Labor Department components. Could you tell me how many Americans would be put to work if the following funds were provided by March 15th and how long it would take to provide these jobs?

Answer: (1) $125 million for dislocated workers assistance.

If $125 million for dislocated worker assistance is appropriated for Title III of the Job Training Partnership Act, up to 60,000 workers will be provided training and other services with Federal and State matching funds. Over 70 percent of these individuals, or 42,000 can be expected to be placed in unsubsidized jobs upon termination from the program. Enrollment is estimated to start in June, 1983 with substantially full enrollment levels reached in the fall of 1983.

(2) $32.4 million for the Job Corps.

No jobs are provided by the Job Corps, only training opportunities. For this reason, the only short-term effect of providing an additional $32.4 million for the program would be a marginal increase in training opportunities. Because the Job Corps enrollment capacity is fixed due to its primarily residential nature, there is little potential for immediate increases in program size. Current enrollment is in excess of capacity and any immediate increases can only be sustained for a short period before program quality is affected by overcrowding.

Because Job Corps is a training program, any immediate enrollments would not, on average, complete the program and find jobs in less than six months. Therefore, given the constraints faced by the program, the Department estimates that about 1,700 new opportunities could be financed immediately by increasing the number of non-residential participants and adding more beds to current facilities. These participants could start by April 15, but would not normally complete the program and find a job before October. These two options would cost about $12.2 million. Most additional options that would make use of the remaining resources could not be put in place before December at the earliest; the 3,500 participants that might be able to enroll then would not complete the program before June of 1984. Most of the longer term options require an increase in the residential capacity of the Job Corps and would probably lead to continued higher levels in the future. These are therefore not consistent with a short-term jobs bill.

(3) $50 million for Job Search Assistance.

A $50 million dollar increase in the ES budget by March 15, 1983, would support an additional 1,500 ES staff years on an annualized basis. There is no money in the administration account of the Unemployment Trust Fund to support any added 1983 appropriations beyond the $276.1 million supplemental already requested to finance unemployment insurance workload. New general fund budget authority would be needed to advance to the trust fund to finance the proposed $50 million increase. If the funds are provided by March 15, we would estimate that 50 percent of the new staff would be on board by May 30 and the other 50 percent by June 30. This would result in a total hiring of 5,345 individuals, who would have to be laid off at the start of fiscal year 1984 to stay within the budget request designed to continue the current 24,800 staff years. The administration account of the trust fund cannot support an ES level above 24,800 in FY 1984 without advances which require added general fund budget authority. Based on experience, these additional staff would result in a total increase in ES job placements in 1983 of 186,000 individuals. While the 186,000 jobs are not additional jobs "created" by the proposed increase, they are jobs that would be filled through the ES instead of filled by some other means.

(4) $100 million for summer youth employment and training.

$100 million for summer youth employment and training would add 98,600 additional participants to the number of youth expected to be enrolled in employment and training during the summer of 1983, with enrollments starting in late May, reaching maximum levels by the end of June and terminating in September with the beginning of the new school year. Some youth, 1,800 based on past experience, can be expected to be placed in permanent, unsubsidized jobs upon termination from the summer program.

(5) $14,550,000 for Community Service Employment for Older Americans.

$14,550,000 for Community Service Employment for Older Americans is estimated to increase participation in this program by approximately 4,000 individuals. Because the program is forward funded, these individuals could be placed in employment positions during July. Approximately 15 percent, or 600 individuals can be expected to be placed in unsubsidized jobs upon termination from the program.

UNEMPLOYMENT "MINUTES PER UNIT"

Question: How do you determine the "Minutes Per Unit"(MPUs) that are allowed in determining the budgetary amounts for State Unemployment Insurance Agencies?

Answer: "Minutes Per Unit" (MPUs) are originally determined by on-site work measurement in each of the States. These are entered into the national unemployment insurance data base as they are audited and accepted by the Department. When the State Unemployment Insurance Agencies budgetary amounts are determined, during each year's allocation process, the current set of MPUs for each State is used in the allocation formula along with the workload estimates and other pertinent fiscal data contained in the appropriation. The allocation formula is modified from year to year to recognize the constraints of the appropriation total, policy decisions (program emphasis) and equity of resource distribution between the State Agencies.

Question: What safeguards are in the system to prevent arbitrary "productivity cuts" which bear no relation to the actual time it takes to process unemployment claims workload?

Answer: There are no safeguards nor are they desirable. Such safeguards would constitute a guaranteed level of program financing and would tie the hands of the fiscal decision makers in both the Congress and the Executive Branch.

In addition, the MPU's have never been used to construct an appropriate request. Only national data is used to make the estimate of national resource requirements. No "national average MPU" or any State MPU's are used for this purpose.

The State MPU's come into play during the allocation process. If the appropriation is sufficient to fund all factors in the allocation process, i.e., workloads, average work hours per State, average salary per position in each State, and the MPU's, then the MPU's function is to equitably distribute the national total among the several States. Should the final appropriation not be sufficient to fund all the factors, the MPU's provide the only flexibility in the allocation formula to distribute the shortfall. Workloads cannot be reduced as they are part of the appropriation approval. Work hours per State and average salaries are not reduceable as they are controlled by State law.

Question: What appeals procedure is available for States which may contend the MPU calculation, or other budgetary cutbacks, impair their ability to process unemployment claims in a timely manner?

Answer: Under Title III of the Social Security Act, the Secretary is responsible for granting such amounts as he "determines to be necessary for the proper and efficient administration of such (State) law during the fiscal year for which such payment is to be made." The Assistant Secretary of Labor for Employment and Training is the departmental officer who has direct responsibility for the grants process and would be the appropriate individual to whom an appeal should go from a State.

PERMANENT STATE UNEMPLOYMENT INSURANCE SERVICE STAFF

Question: How much more productive are permanent State unemployment insurance service staff, as opposed to temporary employees, in processing benefit claims?

Answer: No such comparative statistics are available to us. The data we do have indicates the program is being administered satisfactorily, both in terms of timeliness and quality. Since temporary staff has increased as a percentage of total staff resources, we must conclude there is no apparent significant loss of productivity when using temporary personnel.

Question: How do temporary employees compare with permanent staff with respect to error rates in determining unemployment benefits amounts?

Answer: There is no data available to us which separates temporary staff and permanent staff with regard to any aspect of productivity or level of performance.

LENGTH OF UNEMPLOYMENT BENEFITS

Question: Do you think it is fair that unemployed individuals in some States, like Connecticut, can only get 36 weeks of benefits, while in some other States, individuals can draw up to 55 weeks of benefits?

Answer: The Federal Supplemental Compensation (FSC) program is geared to the insured unemployment rate (IUR) in a State. Since these are Federal general revenue funds, they are distributed on the theory that they compensate for the level of unemployment that is reasonably attributable to national, rather than State, economic conditions. Connecticut's current IUR is just over four percent. This is far better, relatively speaking, than the six percent IUR upon which the 16 weeks of FSC entitlement is based (26 weeks regular Unemployment Insurance (UI) plus 13 weeks of extended benefits and 16 weeks of Federal Supplemental Benefits (FSB) = 55 weeks overall maximum). We believe this represents an equitable distribution of limited resources.

Question: Why should persons living in pockets of high unemployment within a State be penalized just because the State as a whole has a lower than average unemployment rate?

Answer: The problem of using a geographical unit smaller than a State for determining Federal funding for extended benefits is one to which we have given considerable attention. We do not believe this to be a viable approach because of problems of equity and the lack of credible data for dealing with substate areas. Some of the issues that would be raised by such an approach include:

- Should an individual's right to benefits be based upon place of residence or last place of employment? If the place of residence were the basis for eligibility, a distinction would be made, on the sheer happenstance of place of residence, between workers who have worked side-by-side with identical employment records.

- This approach would create a situation in which substantial cash benefits are available to certain unemployed workers and not to others in the same State with essentially similar work histories.

- Employers do not now report the specific place of work of individual employees for an geographical area smaller than a State. Similarly, a claimant's last place of work is not assignable as part of the claims process. There are many situations in which an individual may work for the same employer at many different work sites in the course of a calendar quarter or even in a month. This is particularly true in the construction industry.

The administrative cost, feasibility and equity issues raised by this proposal would in our judgment make such a change extremely unwise.

UNEMPLOYMENT LEGISLATION

Question: The Administration is proposing a six-month "modified" extension of the Federal Supplemental Compensation program, which would otherwise expire March 31, 1983. Specifically, how do you propose modifying the existing program of unemployment compensation?

Answer: With respect to the regular unemployment compensation program, we are commending that States be permitted to use up to two percent of the State unemployment compensation tax receipts to provide assistance to displaced workers to fund retraining and relocation costs for claimants. Each State electing to make such use of Unemployment Insurance (UI) tax funds would be permitted to amend its law accordingly. No State would be required to provide such a program.

We are also recommending to States that they use a program of worksharing to permit payment of short-time compensation for individuals who continue to work for a regular employer but at slightly reduced hours. We hope this will reduce the possibility of total layoff for junior members of the work force. California, Arizona and Oregon now have such programs in effect. The Department will provide technical assistance to other States interested in proceeding in this direction and will report to Congress on States' experiences.

Question: How exactly would the proposed job voucher/wage subsidy program work, and what would it cost to administer?

Answer: The proposal would permit an eligible claimant for FSC and an individual who would have become eligible for FSC from September 30, 1983, to March 31, 1984, if FSC were in effect, to elect to use entitlement to FSC in the form of a voucher redeemable by an employer who hires the individual. Individual elections to use the voucher system would be permitted for the period from May 1, 1983, to March 31, 1984.

An employer who hires the individual will be entitled to a voucher for each week he employs the claimant for at least 32 hours. The employer will not be permitted to claim a voucher for persons related to the employer. A voucher would also be denied if the employer had employed the individual in the base period of his most recent employment.

The voucher amount would be one-half of the individual's weekly benefit amount for a week of total unemployment. The duration will be for twice the number of weeks for which the individual would have been eligible under FSC. The employer's claim for a voucher must be presented to the State agency.

If a claimant elects to use the voucher system and is laid off by an eligible employer for a reason which does not disqualify the claimant under State law, the claimant would be eligible during the period of modification to any remaining FSC.

Voucher credits could be used by eligible employers in the following order: first, to satisfy State unemployment tax liability; second, to satisfy Federal unemployment tax (FUTA) liability; and third, against any Federal income tax liability. An employer using the credit voucher would not be entitled to a targeted tax credit for the same employee during the same taxable year. Penalties are provided for misuse of a voucher by an employer.

We estimate the costs of administration to be $5.0 million in FY 1983, $6.5 million in FY 1984 and $1.0 million in FY 1985.

Question: Since your budget projects unemployment averaging about ten percent throughout fiscal 1984, why do you propose terminating Federal Supplemental Compensation at the end of the fiscal 1983?

Answer: We are hopeful that the present gain in economic indicators indicates that the recovery underway will continue at a favorable pace, and that the present economic assumptions may be revised. In that event, there will be no further need for the Federal Supplemental Compensation (FSC) program beyond that indicated, which includes use of the voucher system until March 31, 1984. Should this not be the case, we will review the situation with the Congress by late summer.

Question: Given the likelihood that unemployment trust funds in about 40 States will be bankrupt in fiscal 1984, and have to borrow Federal funds, how practical is your proposal to let States utilize two percent of trust fund revenues for job retraining programs?

Answer: The proposal is a long-term one, and offers States the option of using two percent of trust fund revenues for use in meeting costs of training and relocation. No States would be required to exercise this option. Rather, if the Federal law is changed as recommended, each State would then make its decision as to whether its own law should be amended and at what date. There would obviously be a time lag between change in Federal law and enactment and effective date of implementing State legislation. We believe that this proposal, over time, could make significant contributions to the employability of unemployed workers, reducing their possibility of future periods of unemployment, and also assist employers by founding an improved reservoir of trained workers. Each State would decide whether such a program is desirable under local conditions.

POSTPONING INTEREST ON STATE UNEMPLOYMENT LOANS

Question: In 1981, Congress passed legislation imposing ten percent interest on Federal loans to depleted State Unemployment Trust Funds. At that time, it was apparently not foreseen that the first interest repayments would be coming due during a long, severe recession. In your view, is there sufficient justification for Congress to temporarily postpone interest payments for a year or two -- as long as States are not allowed to escape eventual payment of the full amounts owed?

Answer: We are vigorously opposed to any modification of existing law that would in any way forgive interest on loans to States. Significant changes were made in the 1981 legislation in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Effective for any interest due after December 31, 1982, States with high unemployment rates are permitted to reduce interest payments on loans to 25 percent of the amount incurred in any year, and thereby extend the payment of such obligation over a four-year period, with interest charged on the amount deferred beyond the year in which otherwise due. Deferral is permitted in the amount of interest due for any calendar year in which the State insured unemployment rate (IUR) equaled or exceeded 7.5 percent during the first six months of the preceding calendar year.

Question: What evidence is there that imposition of this year's interest charges in particularly hard-pressed States would accelerate business failures or increase unemployment in the affected States?

Answer: We are not aware of any State in which interest charges have accelerated business failures or otherwise increased unemployment. On the other hand, we find that many States are taking affirmative steps in improving their financing mechanisms in order to avoid or hold to an absolute minimum the necessity for new loans.

Question: How much would the Federal deficit be increased if interest payments were deferred until fiscal 1984?

Answer: We estimate that under present requirements, States will pay $415 million in interest in fiscal 1983. To the extent that any part of this amount would be deferred, there would be a dollar-for-dollar increase in the Federal deficit.

UI/RECORD

Question: How would fiscal 1984 budgets have to be altered if Congress wanted to provide that an average weekly unemployment insurance claims level of three million per week be processed by permanent State unemployment service staff?

Answer: If an average weekly unemployment insurance claims level of three million per week were processed by permanent State unemployment service staff, an additional 11,501 permanent positions and $377 million of base resources would be required. However, 9,828 temporary positions and 246 million of contingency resources would not be required, thereby resulting in a net increase of 1,653 positions and $131 million.

NEW LEGISLATIVE CURBS IN EMPLOYMENT SERVICE

Question: What activities, currently conducted and funded by the Employment Service (ES), will no longer be performed unless paid for by another agency as a result of the new amendments to the Wagner-Peyser Act?

Answer: Under the 1982 amendments to the Wagner-Peyser Act, State agencies may carry out Employment Service activities and programs for the Federal government on a cost reimbursement basis. These activities and programs include alien labor certification and housing inspections, labor market information, Disabled Veterans Outreach program local veterans employment representatives and the Targeted Jobs Tax Credit program. These programs are funded from other line items in the State Unemployment Insurance and Employment Service Operations budget or from other Employment and Training Administration budgets. In addition, any other agencies who wish to have the Employment Service perform some activity would also be required to enter into reimbursable agreements with the State agency. At this time, we are not aware of any additional reduced activities.

Question: Where will funding come from for these activities, such as certification of alien workers?

Answer: Funding for the alien certification and housing inspections activities is included in the Employment Service/National activities line of the State Unemployment Insurance and Employment Service Operations budget. Labor market information activities are funded from the Employment Service/Labor market information activity line. The Disabled Veterans Outreach program and local veterans employment representatives are funded from the Veterans employment services activity of the same budget. Funding for the Targeted Jobs Tax Credit program is included in the Training and Employment Services budget.

Question: How much is currently spent for Employment Service activities which can no longer be financed from the Grants to States appropriation?

Answer: The 1984 Employment and Training Administration budgets include funding for Wagner-Peyser as well as for non-Wagner-Peyser activities. Wagner-Peyser funds will be allocated to the States under a formula prescribed by the 1982 amendments. Funds for non-Wagner-Peyser activities, previously listed, will be conducted on a reimbursable basis with the States.

Question: How will this enhance the effectiveness of the Employment Service in meeting its basic labor exchange responsibilities?

Answer: The amendments to the Wagner-Peyser Act clarified the basic role and mission of the labor exchange functions for State agencies and precludes the use of formula allocated Wagner-Peyser funds for other purposes. Basic Wagner-Peyser activities will now be clearly distinguished from non-labor exchange type activities.

EMPLOYMENT SERVICE

Question: Congress recently enacted legislation intended to end the practice of diverting Employment Service resources from its basic role as a "labor exchange", in order to carry out extraneous functions, such as certification of alien workers. How much previously-diverted Employment Service funding do you estimate will now be "freed up" for use on basic labor exchange activities?

Answer: As a result of the Wagner-Peyser amendments of 1982, the structure of the appropriation request has changed, separating

Wagner-Peyser from non-Wagner-Peyser activities. The total requested for employment services in FY 1984 is equivalent to the 1983 funding level, adjusted for expected cost increases. Thus, in total no funds are "freed up" for use on basic labor exchange but the allotment to States funds are to be used exclusively for basic labor exchange activities.

Question: Specifically, which "extraneous" Employment Service activities will be curtailed, and which will be continued through other funding sources?

Answer: Activities related to registration of farm labor crewleaders for the State of Florida, has been transferred to the Employment Standards Administration in 1984. Since the Trade Act expires on September 30, 1983, no funds are included in the 1984 budget for trade activity. Alien certification and housing inspections are in the FY 1984 request but will be funded through separate reimbursable agreements with the States.

EMPLOYMENT SERVICE NEEDS-BASED FUNDING FORMULA

Question: What impact will the establishment of a needs-based funding formula for the Employment Service have on the types of services performed and the population groups served?

Answer: The formula uses only two measures of need, i.e., relative shares of civilian labor force and number of unemployed individuals. It does not address types of services to be performed but in a broad sense directs resources to areas with high unemployment and civilian labor force. However, Wagner-Peyser amendments also require the State employment service to develop operating plans in cooperation with private industry councils and locally elected officials in each service delivery area. Accordingly, the mix of services will be locally determined through the planning process and should result in better coordination of services to selected population groups.

Question: What impact will this new formula, as opposed to the performance-based formulas of the past, have on the Employment Services' ability to coordinate efforts with job training programs for the disadvantaged?

Answer: A criticism of the performance-based formula was that it provided a disincentive to provide services to the disadvantaged, i.e., it was more profitable to focus on those who had fewer employment barriers. Amendments to the Wagner-Peyser Act provide for much more cooperation and coordination between those administering the labor exchange and those responsible for the local Job Training Partnership Act programs. Each State, through its local planning process, determines service priorities for target groups and the mix of services which is reviewed and certified by the State Job Training Coordinating Council. In addition, Section 7(b) of the amended Wagner-Peyser Act provides that ten percent of the State allotment be reserved by the governor for three purposes, one of which is for services to groups with special needs.

HIGH-TECHNOLOGY JOB TRAINING

Question: How suited are Labor Department job training programs, which are primarily geared to helping the most disadvantaged and low-skill unemployed individuals, for meeting the needs of high-technology industries?

Answer: Job training programs are well suited to training in the high-technology industries. It is, of course, necessary to match such training with an individual who is interested in such training and is capable of being trained in the occupation. With the participation of private industry in PIC's, we have every expectation that high technology jobs will be well represented in training opportunities.

Summary of Major Changes in April Update
April 11, 1983

1. Training and Employment Services:

-- Jobs Bill amounts added in FY 1983 offset in FY 1984 by $17 million for Dislocated Workers (also offset in FY 1985 through FY 1988 by $17 million) and by $32.4 million in Job Corps. No SYEP offset. Formal amendment in process.

-- SYEP reduction for minimum wage increased in FY 1983 by $11.9 million to reflect Jobs Bill add-on of $100 million.

-- Forward funding reduced by $4.3 million to reflect Dislocated Workers FY 1985 offset.

2. Older Americans:

-- Jobs Bill add-on of $37.5 million made in July 1983 - June 1984 program year. No other changes made in DOL.

3. Federal Unemployment Benefits and Allowances:

-- Eliminated FSC later transmittal proposal of $1.85 billion. FSC extension costs reflected in Unemployment Trust Fund.

-- Increased FY 1983 needs by $35 million to be advanced from the Advances to UTF account. New FY 1983 activity spread is as follows. No amendments in process; current request stands.

	FY 1983		FY 1984	
Type	January	April	January	April
Ex-servicemen	161	200	---	---
Trade Adjustment	54	40	2	2
Redwoods	15	25	5	10
Total	230	265	7	12

4. Income Maintenance:

The following accounts were affected by change in economic assumptions, predominantly the unemployment rate. The unemployment rates are now as follows:

	FY 1983		FY 1984	
Type	January	April	January	April
Total UR	10.7%	10.2%	10.1%	9.3%
Insured UR	5.4%	4.7%	4.9%	4.2%

A. State UI and ES Operations:

-- No change in ES costs.

-- UI costs were reduced by $139.2 million in FY 1983 (from $1,967.5 to $1,828.3 million) and in FY 1984 were reduced $188.5 million (from $1,889.4 to $1,700.9 million). No amendment in process; current request stands.

B. Unemployment Benefits:

-- State unemployment benefits were reduced by $2,512 million in 1983 from $32.110 billion to $29.598 billion and in FY 1984 were reduced by $4.182 million from $26.215 billion to $22.033 billion.

C. Advances to ESAA:

-- Needs for this revolving fund were reduced from $500 million to $300 million. Current economic assumptions project need for cash flow problems only; ESAA is expected to have a positive balance at the end of FY 1984 as compared to a deficit balance of $200 million under the January projections. No amendment in process; current estimate stands.

D. Advances to the UTF and Other Funds:

-- A further supplemental of $615 million is needed to provide for additional FSC funds due to the extension of the program through FY 1983. A language change will be included which provides for advances to the revolving fund in the event cash problems are experienced. Formal amendment in process for FY 1983 only.

-- $27 million reduction for later transmittal was deleted.

-- The following table indicates the need for advances in FY 1983 and 1984:

	($ in millions)			
	FY 1983		FY 1984	
Advance to:	January	April	January	April
FUA	8,300	6,600	6,400	3,000
EUCA	800	0	0	0
FSC	2,500	5,300	0	200
FECA	50	150	110	230
ESAA	0	0	500	300
FUBA	0	35	0	0
BLDTF	155	335	99	250
Total	11,805 1/	12,420 1/2/	7,109	3,980

1/ Includes carryover of $1,361 million.
2/ Includes supplemental of $615 million.

5. Black Lung Disability Trust Fund:

-- Black Lung benefits increased by $127 million and interest by $5 million in FY 1983. An amendment to the pending supplemental request ($54 million) is in process.

-- Black Lung benefits increased by $99.9 million and interest by $20.1 million in FY 1984. A formal amendment to the pending request ($707 million) is in process.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

UNEMPLOYMENT COMPENSATION

Question: The President's budget proposes to extend the program of supplemental unemployment benefits for long-term jobless beyond its current expiration date of March 31. How would the proposed legislation change the current program?

Answer: To reflect the third-tier concept of FSC, individuals must have had employment in their base period of at least 30 weeks of work or the equivalent in wages, in order to qualify for FSC. For extended benefits it is 20 weeks of work or the equivalent in wages. This is a new requirement. Claimants would be ineligible if they became unemployed because of any reason other then being discharged for lack of work or physical disability. This will make ineligible those leaving work voluntarily or who were discharged for misconduct. This is also a new requirement.

Administration of FSC would be simplified by reducing the five different statewide benefit levels under the present FSC program (16/14/12/10/8 weeks) to three levels (16/12/8): 16 weeks - State insured unemployment rate (IUR) of 6.0 percent or higher; 12 weeks - IUR of 4.5 percent but less than six percent; and eight weeks all other States with IUR of less than 4.5 percent.

A voucher plan of tax credits for employers who hire FSC claimants would be available to claimants who elect to employ the voucher instead of drawing FSC benefits. Vouchers would be drawn on a weekly basis in the amount of 50 percent of the claimant's weekly benefit amount and will be available for twice the number of weeks of payments otherwise available to the worker under FSC. This will encourage employers to hire these long-term unemployed. Credits under the plan can be used by the employer on a dollar-for-dollar basis in payment (in the following order) of: State unemployment taxes, Federal unemployment taxes, and Federal income taxes.

Question: Will some States now receiving Federal supplemental compensation benefits receive fewer weeks of benefits? Which States?

Answer: It is possible that some States may receive fewer weeks of benefits under the President's proposal. However, States with IURs of six percent or higher will continue to be eligible for a maximum of 16 weeks of FSC and no State would get fewer than eight weeks -- these are the same bounds as prevail under the present program.

The Department does not have available a list of the precise States that would be affected by proposed change in triggers.

Question: Would the Administration support a simple extension of the program so that no State will lose any current benefits?

Answer: We believe the proposed changes are needed to target funds to States with high levels of unemployment. We will continue to provide 16 weeks of benefits in States with an IUR of at least six percent. For other States the number of weeks of entitlement will be a function of the IUR; if States continue to have high levels of unemployment or move to higher levels the number of weeks payable will be adjusted accordingly. We believe the voucher plan will provide permanent jobs for workers who might not otherwise be reemployed. Accordingly, we urge your support of the President's recommendations which are the result of careful study and evaluation.

SUBCOMMITTEE RECESS

Senator WEICKER. Again I want to thank you for your cooperation in the matter of these hearings, and I again apologize for my tardiness in commencing.

With that the subcommittee will stand in recess until Monday, February 28, when we consider the request of the Employment and Training Administration.

[Whereupon at 10:15 a.m., Thursday, February 17, the subcommittee was recessed, to reconvene on Monday, February 28.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, FEBRUARY 28, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Domenici, and Proxmire.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

STATEMENT OF ALBERT A. ANGRISANI, ASSISTANT SECRETARY OF LABOR

ACCOMPANIED BY:
- JOYCE KAISER, ASSOCIATE ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING
- THOMAS C. KOMAREK, ADMINISTRATOR, OFFICE OF FINANCIAL CONTROL AND MANAGEMENT SYSTEMS

PREPARED STATEMENT

Senator WEICKER. The subcommittee will come to order.

Today we will hear testimony on budget requests for the Employment and Training Administration.

This agency is in the process of implementing the new Job Training Partnership Act, which replaces programs now operated under the Comprehensive Employment and Training Act. While some programs such as the job corps and summer youth employment remain essentially unchanged, others, principally the dislocated worker program, are new.

In addition to multibillion dollar job training programs, this agency administers the even more costly unemployment benefit programs. The focus of today's hearing, however, will be on employment and training activities, since we discussed unemployment issues in a recent special hearing on urgent supplemental requests.

Here to testify is Assistant Secretary Al Angrisani, to explain the fiscal year 1984 budget recommendations.

Mr. Secretary, would you proceed?

Your statement in its entirety will be included in the record, and you may proceed any way that you would like to set forth that statement and introduce those who accompany you.

Mr. ANGRISANI. I do submit my statement for the record.

[The statement follows:]

STATEMENT OF ALBERT A. ANGRISANI

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss the Employment and Training Administration's Fiscal Year 1984 budget requests. Before I address the specifics of each appropriation request, I would like to address several major changes which have influenced not only the amounts requested but also the structure of our budget.

The 1984 budget is the first to be submitted reflecting the programs authorized under the new Job Training Partnership Act of 1982 (JTPA). Under this Act, the majority of training and employment activities are financed through grants to States for training, summer youth employment and training programs and assistance to dislocated workers. In addition, there are provisions for Federally administered programs and activities such as the Job Corps, special programs for veterans, Native Americans and migrant and seasonal farmworkers, and national commissions. Our 1984 request for these programs is presented in a revised budget structure containing two budget activities: Grants to States, and Federally-Administered Programs, with sub-activity designations identifying the separate programs within each area.

The recently enacted amendments to the Wagner-Peyser Act have also resulted in budget structure changes as reflected in the proposed State Unemployment Insurance and Employment Service Operations appropriation request. Here, three budget activities--Unemployment Compensation, Employment Services and Veterans' Employment Services--are identified with sub-activities specified to distinguish among programs (e.g., the Disabled Veterans Outreach Program) or funding mechanisms (e.g., the Unemployment Compensation contingency amount).

A new budget activity structure is also proposed for the Program Administration Appropriation reflecting a reorganization of our staff resources to reflect the new federal role envisioned in JTPA.

I will now address some of the details of our Fiscal Year 1984 requests. The requests total $10.9 billion in budget authority from general revenues and $2.7 billion in trust fund transfer authority for a total of $13.6 billion.

TRAINING AND EMPLOYMENT SERVICES

The 1984 request for the Training and Employment Services appropriation is $3,643.3 million, a net decrease of $144.5 million from the comparable 1983 level of $3,787.8 million. The improvements legislated under JTPA providing for greater efficiency in design and operation of training progreams will enable more services to be provided in 1984 than in the previous year.

The request provides funding for two major activities: Grants to States totalling $2,850.7 million and Federally Administered Programs totalling $792.6 million. Nearly 80 percent of the total request will be for programs under the Grants to States activity, with the largest portion as a block grant for job training. The second activity, Federally Administered Programs, includes resources for separate programs designed to meet the needs of individuals with special labor market disadvantages, and funds for program support activities and national commissions.

Grants to States

Grants to States is comprised of three State operated programs: the basic Block Grant training program, the Summer Youth Employment and Training Program, and the Dislocated Worker Assistance Program. Funding for all three programs is distributed primarily on a formula basis. The training and supportive services available under these programs are designed to provide individuals with marketable skills leading to unsubsidized jobs in the private sector.

The 1984 request for the basic Block Grant program is $1,886.2 million and will fund an estimated 406,000 service years at a unit cost of $4,646.

There will be increased emphasis on training in the Summer Program in 1984. The request is $724.5 million, the same as the 1983 amount, and is anticipated to serve 718,000 economically disadvantaged youth. Legislation is being proposed to establish a special Federal youth opportunity wage of $2.50 for employment of youth under 22 years of age between May 1 and September 30 of each year. If enacted, a rescission reducing availability by $85 million in 1983 and an amendment reducing the 1984 request by $87 million will be submitted. However, the number of youth served in the program will not change.

The Dislocated Worker Assistance program will increase under the Administration's request to $240 million in 1984. The program is designed to meet the job search, relocation, and retraining needs of displaced workers. Federal funding will be matched by the States, and up to an estimated 110,000 people will be served by this total funding.

Federally Administered Programs

Federally Administered Programs include: programs for Native Americans; programs for migrant and seasonal farmworkers; the Job Corps; Veterans' Employment Programs; and other national activities including program support, special national programs and activities, the National Occupational Information Coordinating Committee, and the National Commission for Employment Policy. Also included is funding for State administration of the Targeted Jobs Tax Credit program.

The 1984 request for these programs is $792.6 million, a net decrease of $65 million from the 1983 level of $857.6 million. The 1984 level reflects an increase of $9.4 million to fund the newly authorized Veterans' Employment Programs and decreases of $6.7 million in the Native American Program, $10.0 million in the Migrant and Seasonal Farmworkers Program, and $53.7 million in National Activities. The increases and decreases for the most part result from provisions in the authorizing legislation.

The request includes $62.2 million for Native Americans, which will provide an estimated 14,600 service years for employment and training. The Migrant and Seasonal Farmworker program in 1984 will provide 10,800 training opportunities together with supportive services to 175,000 individuals at the request level of $60.4 million. Job Corps funds totalling $585.6 million in 1984, will support 81,000 participants, the same level as in 1983, with a total of 107 residential centers. The Veterans' Employment Program will be adminstered by the Office of the Assistant Secretary for Veterans' Employment. A total of $55.1 million is requested in 1984 for National Activities. The lower level for National Activities reflects the reduced Federal presence in program operations. The request for the Targeted Jobs Tax Credit program in 1984 is $20 million. An estimated 300,000 certifications will be issued.

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

The 1984 request for State Unemployment Insurance and Employment Service Operations is $2.7 billion. For the unemployment insurance service operations we are requesting $1.889 billion which will support workloads anticipated under the projected total unemployment rate of 10.1 percent and insured unemployment rate of 4.9 percent. In addition to net mandatory decreases of $88.1 million, additional funds of $9.7 million are being requested to implement the random audit procedure in all States for a total program level of $21.0 million. This program determines rates of improper unemployment benefit payments and their causes and provides the needed information to reduce the level of overpayments.

The request for the employment service including veterans employment services is $857.8 million. The amount requested for employment service activities is equivalent to the 1983 appropriation adjusted for expected cost increases. The 1984 request represents a change in the appropriation structure for this activity, consistent with the 1982 Wagner-Peyser amendments. The major change shifts the basis for distribution of funds from a staffyear basis to a formula basis using labor force and unemployment data as criteria for the allocation of funds. In 1984, $708.0 million will be allocated to the States by formula, and $108.8 million is for veterans programs. The remaining $41.0 million is for national activities, such as labor certification and national labor market information programs which will be administered through reimbursable agreements with the States. The 1984 request for allotments to States is on a fiscal year basis. A proposal for later transmittal is planned which would convert financing to a January-through-December program year basis.

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

We are requesting $7.1 billion in the Advances to the Unemployment Trust Fund and Other Funds appropriation to provide general fund advances to the Unemployment Trust Fund ($6.5 billion), to the Advances to the Employment Security Administration Account--the Revolving Fund--($500 million), and to the Black Lung Disability Trust Fund ($99 million). The advances to the Unemployment Trust Fund will be used predominantly to provide loans to States with insufficient trust fund balances to meet benefit payments ($6.4 billion) and for the Federal Employees' Compensation Account ($110 million) which starting in 1984 covers benefit payments for eligible ex-servicemembers.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

In the Federal Unemployment Benefits and Allowances appropriation, the request is for $7 million. The request includes $2 million for Trade Adjustment Assistance benefits and reflects the closeout of the program since the adjustment assistance provisions of the Trade Act of 1974, as amended, expire on September 30, 1983. The remaining $5 million is for benefits and health and pension costs on behalf of individuals covered under the Redwood National Park Expansion Act. No request is being made for unemployment benefit payments to ex-servicemembers since, starting in 1984, unemployment benefits for ex-servicemembers will be paid from the Federal Employees' Compensation Account in the Unemployment Trust Fund.

PROGRAM ADMINISTRATION

The budget request for Fiscal Year 1984 for the Program Administration account is $122.5 million and 2,009 positions. This represents a net decrease of $7.4 million and 299 positions from the comparable Fiscal Year 1983 level of $129.9 million and 2,308 positions. The general revenue portion of the estimate is $86.3 million, and provides for the basic Federal staff costs of the Employment and Training Administration for the direction and operation of the various employment and training programs. The balance, $36.2 million, which is derived from the Unemployment Trust Fund, provides for activities related to the Federal administration of the employment security system.

Changes for 1984 consist of built-in and program increases of $5.6 million to provide for basic personnel compensation and increased costs in space rental, communications, contract support and administrative support services and built-in and program decreases totalling $13.0 million to provide a change in positions reflecting employment reductions, decreased costs of administrative support services and decreased costs of released GSA space.

The program reduction proposes the elimination of 299 positions during 1984. With the reduced Federal role embodied in the Jobs Training Partnership Act and the phase-out of the Work Incentive program, ETA staffing is reduced commensurately.

During Fiscal Year 1984, ETA will continue to direct its efforts to strengthen and improve the services it oversees. Major emphasis will be focused on completing the implementation of the JTPA by the end of the third quarter and the continued improvement of the integrity of the audit resolution and closeout activities. Debt collection and related activities will be increased by the new Office of Special Counsel. Efforts will continue to strengthen management control over the use of ETA funds to assure fiscal accountability, reduce overpayments, and prevent fraud and abuse.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or the Members of the Subcommittee, may have.

RESTRUCTURING THE FINANCIAL PROCESS

Mr. ANGRISANI. I would like to say very briefly that over the last 2 years, this being the first opportunity I have had to appear before you, I believe we have accomplished a lot.

We have completely restructured the financial process in the agency. I think, in terms of oversight, we now have what we believe is a credible managerial operation, and I think I am proudest of the fact, that we have done it at the same time we have taken some significant resource reductions.

I think the way for me to best wrap it up is that CETA was a program that had some significant management problems, and there was a perception out there that the Government was not doing its job. I think we have done a lot not only to change that under the current CETA system, to bring about some credibility for our programs, but also in the long term, to lay the foundation for people to believe that the new Job Training Partnership Act that we are about to implement in fiscal 1984 is also a program that can be run and run well.

So, I think that we have come a long way toward changing the environment in which our training programs and our unemployment compensation programs are viewed. I think that is the thing that we are proudest of, and I would be glad to submit whatever documentation you and your staff need to show you the progress that we have made.

Senator WEICKER. Would you like to go ahead and discuss your budgetary request now?

OVERVIEW OF 1984 REQUEST

Mr. ANGRISANI. Basically, the budgetary request that we have is characterized, I would say, by two critical ingredients. One is, we are asking for a reduction in staff of approximately 299 positions, which would come to about $7.4 million.

In addition to that, we are basically asking for a relatively steady State funding level for our training programs. Although there is a small reduction in our overall expenditure level, we feel we can provide the same level of service that we have done in the past, based upon the change in dynamics of the Job Training Partnership Act versus CETA.

We will have more money allocated to training as opposed to stipends and income support. For our unemployment compensation program, we are asking for significantly more funds as a result of the economic assumptions, which I believe have the unemployment rate at approximately 10.1 percent in 1984.

One of the provisions in this budget worth pointing out is that for the Employment Security Administration account, we are asking for a revolving fund of several hundred million dollars this year to help us make up for a cash flow problem we have in that account. We can get into more detail on this if you like down the road in this hearing.

Essentially, relative to the past budget requests that we have had before the Senate and the House the last 2 years, this is a fairly stable one. We think it is a responsible one.

STRUCTURAL UNEMPLOYMENT

Senator WEICKER. In testimony before the Labor and Human Resources Committee last week, Martin Feldstein said that approximately 6.5 percent of the work force, 6.5 percent, or 7 million, Americans are victims of structural unemployment as opposed to cyclical unemployment.

Under your budget request, what improvement will be seen in structural unemployment?

Mr. ANGRISANI. Our 1984 budget provides an opportunity, for the first time in a long time, to make some inroads in the area of structural unemployment, particularly with regard to displaced workers. That is the first area that we are attacking here.

Senator WEICKER. What comes under the category of structural?

Mr. ANGRISANI. Structural unemployment would be defined as workers who do not have a chance to get into the workplace, regardless of cycles or swings in the economy, versus workers who would be moving in and out of the work place cycles as a supply/demand for workers occur.

Senator WEICKER. This would include minorities, young people?

Mr. ANGRISANI. Yes; disadvantaged and I think you can also include in that category now, the subject of displaced workers, individuals whose skills have become so outmoded and obsolete and who are at a particular age in their career that they cannot also be guaranteed movement in and out of the economy based upon cycles.

So, in other words, this is a problem that we are trying to address early on. Our money for title III displaced workers should allow us to start making a crack in that. The most important thing we will be doing, we believe, to address the structural unemployment problem, is the Job Training Partnership Act, and we feel that there are significant capabilities in the dynamics of this program to do that.

NEW APPROACHES TO JOB TRAINING

Senator WEICKER. What are you going to do just to bring it down? What do you intend to do as far as just the first two aspects of it. This problem that we have been living with for a long time before this administration came into being—unemployment of minorities and young people—what are you going to do about that, specifically?

Mr. ANGRISANI. The Job Training Partnership Act, the job corps. and other programs we have in this budget will allow us to serve in excess of 1 million disadvantaged persons including youth, and minorities in fiscal 1984.

What we will be doing for them is, I think really for the first time in a long time, providing an opportunity to be trained through our State block grant, private sector mechanism.

That process, that dynamic training process, is one where we will be doing several things. First and foremost, we will be developing attachment to the employer early on in the training process, which is something that was not done before.

Second, we are hopefully going to be providing a curriculum of skills that will be relatively modern as opposed to some of the outdated ones of the past.

And, third, we think that this process is one where we are going to be improving the working habits, through the work environment type of training that will be done in these programs, as opposed to what has been done in the past.

So, I think we are talking about more than just putting someone in a classroom and spending a year training them in a vacuum as was done in the past. In its place, we hope to place the disadvantaged into OJT training programs characterized by significant employer attachment, and hopefully, some fairly modern curriculum training.

IDENTIFYING LOCAL TRAINING DELIVERERS

Senator WEICKER. Let's say that I am a 19-year-old. It doesn't make any difference—white or black or whatever. I am out of work. Where do I go?

Again, it is all very nebulous. You hear about all of these programs and concepts, et cetera, but the bottom line is I am out of work, I don't have a job, I will not be able to get a job. Under your program what do I do? Where do I go?

Mr. ANGRISANI. Let's say you are an AFDC mother or a disadvantaged young person, who are the two primary target markets of the bill. There are several ways that you might be channeled into the program. If you are out there and you want help and you are looking for help, there is not going to be much of a chance of missing it if, in fact, you are unemployed or if you have had any dealings with the local unemployment insurance office or the employment service office because we intend for these to be a primary feeder into the program. That is where a large part of the intake will be done. You can go right down to your job service, unemployment compensation office, your welfare office if you are AFDC, and ask, or, in fact, you will be told.

So, you are likely to go right there and be directed to the particular program in your area, and that program may take on several features, the way the bill is designed.

Senator WEICKER. Who is operating the program? I now know where I have been told to go, but who is operating this program, and what does the program consist of?

Mr. ANGRISANI. It will vary from State to State. The private industry council at your local level will be the oversight organization that will basically put the program together.

But, in your particular area, let's say in Connecticut, the vocational educational system could be running it; the State employment service could be running it; a private contractor selected by the PIC could be running it.

A lot will depend on just what works in that State, what the Governor wants, what the private industry council wants, and what the professionals in that particular field want. The program operator in each local area will be known and will be identified to the person who goes down to that employment service office and asks for help. It will vary from State to State.

Senator WEICKER. Is this in operation now?

Mr. ANGRISANI. CETA is in operation until the end of this fiscal year. We are in the process, right now, of transitioning from CETA to JTPA for fiscal year 1984 which begins October 1.

I would like to at some point in this hearing provide you with an update on the status of the transition.

PUBLICIZING TRAINING OPPORTUNITIES

Senator WEICKER. I am not much for advertising Government. I think most people know what everybody does, but I would certainly hope in this particular instance you make it well-known through the media as to how a young person utilizes these services. I really think you have to.

I see enough silly advertisements. I am sure my colleague on the left could cite many examples of the total waste of Government money on advertising, but I am a U.S. Senator and I am supposed to know something about it, and, believe me, that is why I am trying to get an education from you. I have the good fortune to sit across the table from you and ask.

The average young person doesn't have the foggiest idea as to what to do. This is one of those cases where you ought to get the information out there in some large way. That is key.

Mr. ANGRISANI. You are correct, and I think by channeling program information through areas where that target person we have been talking about is likely to get some other form of benefit or service, we are going to get that message out.

But in terms of a broader advertising campaign, I believe you are right, and I think we are prepared to address that in the transition, and I think we can do it without spending very much money, too. There is a market out there for this kind of news.

FORWARD FUNDING UNDER JTPA

Senator WEICKER. The Job Training Partnership Act mandates 9 months of forward funding for most Labor Department employment training programs, which would put them on the same funding cycle as most education programs.

Why are you proposing that the Appropriations Committee change this substantive law, allowing only 3 months of forward funding?

Mr. ANGRISANI. Mr. Chairman, we did agree early on in the development of the Job Training Partnership Act to a 9-month funding arrangement.

I will ask Mr. Komarek to comment more specifically, but we felt we could accomplish the same purpose with 3 months advance funding, which was to give the system some forecast as to what the funding levels would look like in advance and yet have a JTPA funding cycle more consistent with the overall budget cycles.

So, the effect is the same in that we put it on a better budgetary cycle. We also believe that it might be possible to do this through a technical change as opposed to legislation.

I would like to ask Mr. Komarek to say a word on that, if I could.

Mr. KOMAREK. There are two other issues that I would like to bring up, Mr. Chairman.

A driving force in the way that we came down was that this allows the administration and the Congress the flexibility to change the funding levels as we go forward from year to year, and it provides a little more flexibility and keeps, in these changing times, a commitment into the future at a reduced level.

And, second, from a financial point of view, the thing that most of the program operators are concerned about, is that the October 1 fund crisis, which we seem to get into in many years, and what this 3-month forward funding, as opposed to 9-month forward funding, would accomplish would allow those sponsors not to have to worry about the October 1 date, as most of our current sponsors do, and at the same time keep for the administration and the Congress a little bit of additional flexibility in terms of future funding.

Senator WEICKER. If the appropriations bill fails to contain the legislative language you suggest, will you then request the full amount needed for 9 months of forward funding required by law, which the authorizing committees have not changed?

Mr. ANGRISANI. I believe so. I suspect we would have to because we did agree to the concept of forward funding. We just think that this is a better way to do it for everybody, as opposed to going into the full 9-month cycle.

Senator WEICKER. Three months compared to 9 months, in effect commits $1.5 billion less than the amount currently required by law for job training programs, isn't that right?

Mr. ANGRISANI. Yes; it requests funding for 15 months rather than the 21-month period assumed by the JTPA. But we have said that we would like to see a stable funding rate for this program through 1983 and 1984, and I just want to clear up that I know of no intent to see any reduction in this account in the long term.

Senator WEICKER. Senator Proxmire.

PROGRAM PROMOTION EFFORTS

Senator PROXMIRE. Thank you. Mr. Chairman, I am delighted to see that you are holding these things at 8:30 in the morning. I thought I would be here early. I got here at about 8:33, and we were already well underway.

The chairman asked a question that has bothered many of us a lot. He asked how people who are seeking work and training in new skills and so forth find out about job opportunities.

I found out that in Milwaukee and Wausau the employment service makes extensive use of television. For instance, the employment service dramatized the situation by having what they call a "jobathon."

People come in who want and need jobs. But the principal clientele the employment service has to appeal to and activate are the employers. People who have lost their jobs—and, of course, I am sure that the chairman is talking about others who are seeking jobs for the first time—have to register with the job service if they are going to get unemployment compensation. They do come in and register but the employers don't.

I wonder if you have some way of provoking, stimulating, and rewarding that type of activity by employers. In Milwaukee they had the TV program I mentioned. The television station was delighted with the results. In Wausau they had a radio program.

These initiatives seem to be taken without much promotion or encouragement from Washington. They seemed to me to be an inexpensive and very effective way to reach a great many people.

Why can't the Federal Government promote this in a systematic way?

USING MEDIA TO PUBLICIZE JTPA

Mr. ANGRISANI. It is a good question. It cuts into something that we are looking at and a lot of other people are talking about. It is making use of the cable networks that are now available that were not there several years ago, the chamber of commerce network, and other modern technology that is available.

Senator PROXMIRE. The jobathon I am talking about was carried by ABC, one of the three big channels in Milwaukee. It reached a terrific audience, hundreds of thousands of people.

Mr. ANGRISANI. I cannot give you the specifics right now of planned promotion and communication efforts because we are in the middle of developing them. We do have a separate communications arm that we are setting up for this transition effort that will recommend some approaches to respond to this concern.

I can tell you right now, we are looking at a lot of different options, and I think I can support what you are saying, that these are inexpensive options. If we can encourage our job service offices and the system in general to utilize all media opportunities we will do this. The PIC's, which bring to the table an awful lot of resources through the business community and through the labor community are in a good position to propose effective communications techniques.

There is no reason why we cannot do what you are saying. It is just a question of what those specifics might be and how fast we can get them up. So we are looking at it.

Three or 4 months from now, I will be in a better position to give you the specifics.

USE OF EMPLOYMENT SERVICE

Senator PROXMIRE. That is good to hear.

One weekend when I went to Wisconsin I sat next to a fellow on the plane who was an employer in the Washington area, and he said, "You know, I have been trying to get people to come in and work for me, and I cannot get people to work as waiters, waitresses, and busboys." He said, "They talk about all of this unemployment," and I said, "Have you tried the job service?" He said, "Oh, no, I don't fool around with that kind of stuff."

Of course, the job service has a list of thousands of people who are available. This fellow was just passing up a wonderful opportunity. He could get his pick, these days especially.

I suspect there is a lot of that sort of ignorance on the part of employers out there. They told me in Milwaukee that only about 7 percent of the jobs are found through the employment service. The rest of the jobs are found through a relative, friend, or neighbor telling a job seeker there is a job down here, why don't you come in.

Senator WEICKER. If the Senator will yield.

There is another aspect of it, too, which has long been true.

Since we are talking about structural unemployment, including minorities, make no mistake about it, there is an entirely different line of communication to the minority community.

Senator PROXMIRE. I am sure that is true.

Senator WEICKER. It is just a fact of life—different radio stations, different publications, different everything—and that is one big part of this structural unemployment.

Mr. ANGRISANI. There is one thing we need to recognize, and that is the environment we're going to operate in, is different. Let's face it.

CETA and the job service have had a stigma in the private sector in the last 4 or 5 years. The businessman might have been complaining to you, and at the same time, was not very willing to get into that system, and to reach into it and pull somebody out.

Senator PROXMIRE. Nobody's forcing an employer to hire anybody. He can take his pick. He can take whomever he wants.

Administration witnesses have recently testified that assistance under the dislocated workers program will not be provided until June. Why is it taking so long to put that program into place? By June, we might well have a significant economic recovery.

DISLOCATED WORKERS PROGRAM

Mr. ANGRISANI. Are you talking about the 1983, the $25 million? Nineteen million dollars of the $25 million is out in the system right now. It probably took a little bit longer than people wanted.

Senator PROXMIRE. Why is that?

Mr. ANGRISANI. Instead of putting that money out into the old trade adjustment assistance program, we put our job training partnership regulations out.

Senator PROXMIRE. I'm referring to page 9 of Mr. Feldstein's testimony where he said, "We do not believe an additional $100 million this year could be well spent because regulations have not been finalized and assistance will not be provided until June."

Mr. ANGRISANI. Let Ms. Kaiser address that. I think that is incorrect.

Ms. KAISER. There was some discussion as to whether we had to put that money out without the benefit of regulation. We determined it was important to get the money out before there were final regulations, so we put the information out to the Governors indicating what the proposed regulations governing the money would be.

They can either opt to go with our proposed regulations and get that money right now, which I think most of them are going to go ahead and do, or they can wait and find out what the final regulations will be and then sign up for the money. So it is a Governor's option as to whether he is going to go for it now or later.

Mr. ANGRISANI. Basically, what she is saying is the money is there right now. Governors can take advantage of the funds. And what is better than anyone expected, we are operating this program according to the new law.

I think Mr. Feldstein and I may have some difference of opinion on how fast that money can get into the system. It can be out there by April 1.

Senator PROXMIRE. So if dislocated worker funding were included in the final jobs package, you could obligate those funds before the end of the current fiscal year.

Mr. ANGRISANI. How much specifically, I don't know. I think we can obligate more than we have.

TRAINING WIN PARTICIPANTS

Senator PROXMIRE. The Department of Health and Human Services in discussing its decision to terminate the work incentive program says, "The training activity previously offered WIN participants will be available under the job training partnership."

Are additional resources included in your 1984 budget request to handle that added burden?

Mr. ANGRISANI. There will likely be more money utilized under the Job Training Partnership Act for WIN-type recipients than before because they are one of the primary target groups in the bill.

I could not say that we have added resources to compensate for the WIN program. My answer is "yes" and "no."

More money will be spent——

Senator PROXMIRE. Can you give us some specifics? How much do you expect to be able to obligate?

Mr. ANGRISANI. Up to 20 percent of the block grant funds will go to WIN participants. That would roughly be $400 to $500 million.

Senator DOMENICI. If that is the case, that is more than WIN. If it is $500 million. But it does not have to be.

Mr. ANGRISANI. Yes; but it will be pretty close to that, because the bill says the two target groups, the primary groups, are AFDC recipients and disadvantaged youths between the ages of 14 and 25.

It is likely that is where the money will go.

SPECIAL TARGETED PROGRAM STAFFING

Senator PROXMIRE. On page PA–11 of your justifications you indicate that special targeted programs staff increased this level of onsite and desk monitoring during 1982. You state, "The evaluation process became more effective."

Can you give us an indication of increased effectiveness?

Mr. Angrisani. This is in the WIN program?

Senator Proxmire. Targeted assistance.

Ms. Kaiser. We have put out money to evaluate both the Indian and the migrants program. We have also increased efforts to train the staff in order to upgrade their skills and their abilities to monitor these programs.

Now, as to where we are on the evaluation of both of those projects, the results will be coming through next year.

Senator Proxmire. Do you have objective measures of the effectiveness of the targeted programs?

Ms. Kaiser. That is part of the process we are trying to develop, since they have not been done as far as anybody knows, since the inception of the program.

NATIONAL COMMISSION FOR EMPLOYMENT POLICY STUDY

Senator Proxmire. Let me ask one more question. I have some further questions, but I see Senator Domenici here, and I do not want to go on too long.

You are requesting $1.6 million for the work of the National Commission on Employment Policy in fiscal year 1984. On January 10 the commission announced preliminary research results from studies of employment policy affecting older Americans.

One of the studies, which cost the taxpayer $20,000, was titled "Restructuring Social Security; How Will the Labor Market Respond?"

The study found that the policy with the greatest impact in delaying retirement would be to lower social security benefits for people retiring early and to increase the benefits for people deferring retirement.

I wonder if that is not a self-evident statement that you could have made without spending $20,000.

Mr. Angrisani. The answer to your question, it probably was. And let me say this about the National Commission. The $1.6 million does represent a smaller budget, I guess by about $400,000, than the previous year.

What we are trying to do is to work with Chairman Smith to avoid just that and I think that we have to prove this year that we can get them to do some relevant work, just like we have to prove in our own research budget that we can provide that.

I do not take issue with your statement. I think I am basically saying that if we cannot get them to focus on some more meaningful research, then perhaps in the future, we will not come back and request the money.

Ms. Kaiser. It needs to be understood that they consult with us. However, we don't govern the kinds of activities that they undertake.

Senator Proxmire. Thank you.

Mr. Chairman?

TRAINING PROGRAM PROMOTION

Senator WEICKER. Let me reemphasize, and then I will let Senator Domenici ask questions—the point that I tried to raise on the business of advertising what our position in depth was in terms of the jobs program.

I think one of the difficulties with CETA and the rest of these programs is that if you have somebody at city hall, you can figure it all out.

And that is where the politics got into it. Which, as you indicate, put a blot on the discussion of these programs to the extent that some people did not want to get in touch with them.

And I just want to make it clear that in this program, I think it is absolutely key that you do not have to know anybody.

The word gets out as to how anybody can go to where they are supposed to go to get this kind of training. That is why I consider it so acute as compared to a CETA program.

Mr. ANGRISANI. I understand the point. We will do our best to make sure that that happens.

Ms. KAISER. One of the things that has probably impeded progress toward making information available at the local level has probably been the Federal involvement and the direction of the program.

We are moving away from directives from Washington and trying to make the responsibility for programs, how they are presented to the public, a responsibility of the State government and the local government.

In past times, when I operated programs at the State level, there were directives about how much advertising, where you could put it. It got to the point where the local people were not interested in bothering, because there were too many Federal requirements on what you could and could not do.

I think that as this program moves toward local control it may be better.

Senator WEICKER. May I point out to you that that local control is what got so politicized. I don't think you could move the Federal Government in that regard.

I just want to make sure that you don't have to have any special status in life, or special connection in order to avail yourself of the programs that are out there to retrain and employ Americans.

I think you're going to have to make a communications effort on that point, that is beyond somebody just being told by their unemployment officer, or whoever it is they are working with, that if you go here, or if you go there, we will be able to give you help.

Senator Domenici?

Senator DOMENICI. Thank you, Mr. Chairman.

UNEMPLOYMENT COMPENSATION SYSTEM

Mr. Secretary, I want to quickly talk about three things. The unemployment compensation system in the country, we all know now is in a bad state, depending on the status of the employee, the Federal addons, and then we have emergencies.

I find in my State that the rules are terribly confusing for the worker, in terms of the worker collecting unemployment and being able to do anything to educate himself or herself at the same time.

Are you aware that there is a great diversity of rules out there? I was in a mining town. An unemployed copper miner wanted to go to a school there. There is a university for vocational training.

It was totally unclear whether he could learn to be a carpenter, and still collect unemployment.

Have you done any evaluating about that to see if there is something we can do to make this a bit more understandable and forthright, so that everybody would know what they can and cannot do?

Mr. ANGRISANI. Senator Domenici, your question cuts into a much broader issue with the whole unemployment insurance compensation system, and I will give you my perspective as a manager.

It is a system that I am not going to straighten out in the next 2 years of this administration, or this particular term, or however long I am here.

It is a diversified system. There are inconsistent applications of principles across the board. It is a system that is huge, and to some extent, unmanageable.

For an example, in the area of fraud and waste, overpayments, even though Mr. Lewis and his staff are making tremendous strides in trying to bring that under control, I suspect that we can spend one entire hearing here on the issue of what is going to go on out there in the form of overpayments.

And I am convinced, if I can speak candidly, because I want to be able to provide the basis for some help long term, that the answer to that particular kind of problem and the other inconsistencies in the program throughout the State is more structural in terms of how we address it here in Washington.

I do not think it is a 1- or 2-year project. I think it is a 4- or 5-, 6-, 7-, 8-year project.

There has to be some structure found within the Department of Labor, or put into place, to deal with that. It will require a complete review of how that system operates, functions, and what it does.

I also think that as Assistant Secretary of Employment and Training, it is very nice to have the unemployment insurance system and the training system tied together.

But it is an awfully big job, and it is very difficult for a manager to address both of those issues simultaneously.

I think about that a lot. We are trying to structure ourselves the best way we can to address it. In short, my response to your question is "yes," I am aware.

How we begin to get a handle on the system is a much longer process, and I think it will require more than my just telling you here that we will look at that particular problem. There are other bigger problems out there that we need to address in the system. I think you will be hearing it now, and over the next 4 or 5, 6 years, you will hear it a lot more, about the unemployment insurance system.

But I want to be clear. I think the staff does an excellent job of managing this program, given the environment that they operate in.

IMPLEMENTATION OF DISLOCATED WORKER PROGRAM

Senator DOMENICI. On the dislocated worker program, we have $25 million and the President requests $240 million in his new budget.

Two things. Should we move part of the $240 million into 1983 and get the program started in a more heavily funded manner and, more quickly?

And second, what is going to be so different about the dislocated worker program than just the training programs that we've funded so heavily from the beginning?

What are we going to do differently for these workers?

Mr. ANGRISANI. The first part of your question, I believe, in our 1983 budget, we asked for $200 million for special targeted groups and of this sum $100 million was for a dislocated worker program.

I think the continuing resolution in 1982 provided $25 million. So I think I am consistent when I say yes, we could put more money into the system in 1983, and I think we could do it effectively if we do not let much more time go by.

However, my understanding is there may be some conflict between Mr. Feldstein's testimony and mine, and I would like a chance to clear that up with him.

I think the record speaks for itself. We did ask for $100 million in 1983.

Second, I think an awful lot is going to be different about this program and let me just hit some of the highlights.

First of all, I think in terms of how it operates, the guts of it, what we would see across the country as it develops is something that looks a little similar to the Downriver project in Detroit, that has been going on for the last 3 or 4 years or perhaps the five or six other displaced worker programs that we funded last year, out of the Department's discretionary money.

One of those is in fact in Milwaukee, Wis. These programs are aimed, Senator, at going right into the work site, the plant where there is likely to be a layoff, or where there has recently been a layoff, and where an individual has virtually no chance of being recalled.

What it says is that if you, a State, and the private sector, are willing to get in there and start addressing the problem, we will, in fact, provide the initial capital to do that.

That means going in and taking people who have no chance of going back to work, and training them in a skill that we think they can become employed in.

What they are doing at Downriver speaks for itself. I do not need to go into much more detail. Robotics, electronics, similar type skills, that we know there will be a need for in the future.

If Downriver is any indication, and I would hate to think that one site is an indication of all that can be done, if you talk about prevention, there are preventative features in aspects of this program.

Meaning getting in there early enough. I think it is wise to start the way we have and not raise everybody's levels of expectation so high that they are expecting to solve the problem overnight.

With the $240 million, I think we stand a reasonably good chance of placing in excess of 50 percent of the 75,000 to 100,000 people who participate in the program in jobs that they can hang onto for a long time.

Is that solving the problem? No; is that winning a major victory? Yes; it will be years before we solve this problem of displaced workers. Quite frankly, we should have addressed it 10 years ago.

SUMMER MINIMUM WAGE FOR YOUTH

Senator Domenici. With reference to the summer minimum wage for youth, I heard the Secretary of Labor answer some questions for our chairman.

I know that a couple of the major cities' mayors in the country, such as Mayor Bradley and a few others, were very supportive.

What if you cannot pass the bill as national legislation? Have you considered legislation that would permit certain metropolitan areas to opt in on a demonstration basis in order to disprove some of the concerns that exist?

Mr. Angrisani. There are no such plans like that that I know of. They could very well be lurking around particular policy shops somewhere.

But there are none that I know of. None that have been presented to me. I think the administration is hoping they can get the plan approved.

You are correct. Mayor Bradley, Mayor Koch, and a number of other mayors have offered their cities as model cities.

I would hope that would be enough to convince Congress that it might be worth trying. At least for 1 year.

QUALIFICATION OF EMPLOYMENT SERVICE REFERRALS

Senator Domenici. One further question. I have noted that one reason employers might not use the employment service as a source of employees, which Senator Proxmire asked about, stems from some facts that are something like this.

If an establishment needs 100 workers when it is opening up, it asks the employment service to send people. And they send everyone that is on their roster that might fit.

As a result the employer, for 100 jobs, has a three-block long line of 5,000 people. That is frequently used as an indication of how bad things are. And it might be a very good indication.

But it would seem to me that if I were an employer, I would not go through that very many times, apparently, because everybody has to check in.

They have a roster; they punch it out on the computer, and tell everybody in the city, "Here is John's Drug Co. that needs 100 people."

And everybody shows up as their sense of responsibility to looking for a job.

Are you aware that this is occuring in the country?

Mr. ANGRISANI. I'm not aware of any specific situations, but I have heard that. My response to you will be the same as the people who told me.

I think it is a disservice to the system, by that particular employment service office. That is not what they are supposed to do.

They are supposed to—even if the volume is significant—they are supposed to do the screening necessary to weed out the best candidates.

Any professional search or placement organization should do that. Where we do find specifics, I am not opposed to taking whatever action is required to see that we ask for the Governor's opinion upon how his employment service is running.

And if, in fact, he should not be making changes, I believe that is a disservice, not only to the employer, but to the individuals who are being led around like that.

It is not what they are supposed to do.

Senator PROXMIRE. We had a situation in Milwaukee where they had 20,000 people show up for 200 jobs. But I do think in all fairness, that the job service was not fundamentally responsible for that.

The firm that was hiring the people advertised and said they were going to have it at a State fair park, which is a great big facility; and anybody who really wanted a job ought to come down there.

It was on all the TV and radio, and it was not funneled to the job service, primarily.

Senator DOMENICI. I have had two of them. The office where there was no advertising, but they had put their request in to the employment service, and the employment service advised everyone that came even remotely close to qualifying. It became one of those very nice circus events for everyone to watch people stand out there for 48 hours.

And there were only 100 jobs. Probably the first 2 hours, they had received all the applications. And the employers felt very—from what I heard on the news—constrained to go through them all.

So they had to stay there and take 5,000 to 6,000 applications for fear they would be accused of being partial or discriminatory or the like.

You're saying, if we find examples of those, at least you all could advise that that is not what is expected?

Mr. ANGRISANI. We can do that, and a lot more to influence that that does not happen again. That is not supposed to happen.

That is clearly somebody operating outside the normal standards of the employment service.

Senator DOMENICI. No further questions.

MINIMUM WAGE FOR STUDENTS

Senator WEICKER. The Fair Labor Standards Act has a differential of $2.84 an hour for full-time students. How many students do you estimate are employed under this law, and won't the use of a minimum wage of $2.50 undercut these young workers?

Mr. Angrisani. I do not know how many would be employed under the $2.84.

Senator Weicker. Can you get that figure for the record?

Mr. Angrisani. I can. Do I think the minimum would undercut that? I would hope not. It would be a 3- to 5-month program.

I think with some of the guarantees and safeguards we hope we have built into it that we will see a situation that at the margin an employer will ask himself the question. With a set minimum for 3 to 5 months, here is a kid who wants to go to work, maybe it would be a little easier for me to hire him, and that would increase summer youth employment over and above the 725,000 young people who have participated in our summer youth programs, plus our targeted job tax credit programs.

I do not see many downsides to it, just upsides.

[The information follows:]

FAIR LABOR STANDARDS ACT

There are currently two active programs under the Fair Labor Standards Act which permit the payment of subminimum wages to in-school youth when necessary to prevent curtailment of opportunities for employment. Student learners (vocational educational students), 16 years of age and over, may be employed in jobs related to their course of study at wages of not less than 75 percent of the minimum wage; and full-time students may be employed in retail or service establishments, agriculture or institutions of higher education at wages of not less than 85 percent of the minimum wage. A certificate authorizing such employment must be obtained from the Department of Labor. In both of these programs, there are limitations on the number of hours that may be worked in a workweek and the number of students that may be employed by an employer. During fiscal year 1982, approximately 2,900 student learners had 250,000 full-time students who were employed under such certificates.

The youth opportunity wage would only be applicable during the summer (May 1 to September 30) whereas the employment of full-time students at 85 percent of the minimum wage is permitted throughout the year. During fiscal year 1982, 26,715 employers were issued certificates under the current law.

TRANSFER OF OLDER AMERICAN PROGRAM

Senator Weicker. You are proposing to transfer the community service employment for older Americans program to the Administration on Aging in the Department of Health and Human Services.

Some people might ask, if the clock works, why fix it?

Mr. Angrisani. It is a good question, and it is one that we weighed very heavily, and I suspect it comes back to the fundamental structural question that I was talking to Senator Domenici about.

There are over a dozen major programs that I am responsible for in ETA, and, quite frankly, I will be real candid with you, I am spending most of my time on CETA, the main job training program, on the unemployment insurance system, and on the employment service. Those are our major programs. When we look at the fundamentals of this program, two things come to mind.

No. 1, we thought it could receive better attention if it were over in HHS, where in fact, the programs for older Americans are right now.

No. 2, and most important, with the change from CETA to JTPA and the emphasis on having a training program as opposed to an income transfer program, the older Americans program stood out a little bit because, really, it is not a training program. It is a jobs program, an income transfer program.

We are going to provide in our JTPA programs significant flexibility to serve older Americans in training programs through that process. We thought it would be a cleaner fit, and we have assurances from HHS that the program would be funded in its entirety, and hopefully the character of it will not be changed.

Senator WEICKER. In the budget request do they fund it? Counsel informs me we just do not know what HHS intends to do with it.

Mr. ANGRISANI. I have had several conversations with OMB, as has Secretary Donovan. The conversations were that we would agree as long as there were no major changes. If that is not clear——

Senator WEICKER. Do you see any of the current 54,000 elderly employees losing their jobs?

Mr. ANGRISANI. Not according to the specifics of the conversations we had when we agreed to the transfer.

If that is the case, then we would have to discuss it with HHS.

Senator WEICKER. The question is, is this transfer going to require legislation?

Mr. ANGRISANI. I don't know. I believe it does. I do not say that with any authority.

SUMMER YOUTH PROGRAM ELIGIBLE POPULATION

Senator WEICKER. One question, and then I will shift over to Senator Proxmire.

The budget request includes $724.5 million to provide 718,000 jobs for economically disadvantaged youth during the summer of 1984, approximately the same number to be served with funds already appropriated for this summer.

How many disadvantaged youth do you estimate are eligible for this program, and could additional funds be used effectively to serve some of these young people?

Mr. ANGRISANI. I do not know the number that are available. I can draw on some of the basic numbers we used when we were putting the Job Training Partnership Act together.

I would think, Mr. Chairman, that with the Job Training Partnership Act going into effect focusing on these young people in that particular age group, the targeted job tax credit focusing on that particular group, plus 700,000-odd summer jobs, and hopefully, a subminimum youth opportunity wage during the summer, that we would be able to take care of the vast majority of our young people's needs.

Senator WEICKER. The House has reported a supplemental, and Senator Hatfield has a bill, both of which are proposing an additional $100 million for this summer's jobs, is that correct?

Mr. ANGRISANI. I believe so.

Senator WEICKER. How does that relate to your observations?

Mr. ANGRISANI. I think, based on what we have seen in the last couple of summers, these programs seem to take care of the needs of our young people. Plus with the other things that we are doing, I think we will be providing marginal increases in services, certainly no decreases in services.

I think we can stand with a pat hand this summer and do the job.

Senator WEICKER. I don't know. I don't follow that. Those figures really do not budge that much, Mr. Secretary. I am talking about unemployment figures among minorities and young people.

I am not saying that throwing more and more money at the problem wins the resolution, but at the same token, we have not really started to address the problem with the kinds of moneys that are necessary.

In any event, you have made your position clear.

Senator Proxmire.

JTPA TRANSITION STUDY BY NCEP

Senator PROXMIRE. Mr. Angrisani, I have here a report funded by the National Commission for Employment Policy. This report provides "a first look at State activities in setting up the administrative structure for the new Job Training Partnership Act." The report says:

> State administrators tell us they need direct answers to specific questions, but often have no one to communicate with. Many cite the need for an information clearinghouse and the creation of some mechanism to facilitate State-to-State technical assistance during the transition. Thus far, however, Federal policymakers have adopted a hands-off policy with respect to the transition, putting the States, in effect, on their own at a time when many feel ill-prepared to handle JTPA's new complexities along with the demands of CETA's closeouts.

Is the Department taking any steps to correct this situation, and if so, what are they?

Mr. ANGRISANI. I am glad you asked that question. I would like to straighten it out.

First of all, in terms of addressing the subject, I am not being too strong when I say that I believe that that report is a disservice to the transition process that is underway right now.

That report is based upon November and December information, and back in November and December that, of course, was the case because the Job Training Partnership Act was about 60 days old, and the first phase of the transition dealt with getting our regulations in place by the very stringent guidelines that we had to meet, which was March 15.

We have done that. The regulatory process is on schedule. As a matter of fact, it is ahead of schedule. Today, if that report were done, I believe it would show this type of situation.

This is based upon our own update that was done—just completed last Friday—that approximately 30 to 40 of the States are in very good shape with regard to getting their State programs underway. They have a long way to go, but they are on schedule, and all are capable of meeting the October 1, fiscal 1984 beginning date, operation deadline that we have.

The 10 or so States that are a little behind schedule are States where there was a change of governorships in the last election. They are all capable of being brought up to speed, and they will be brought up to speed.

To answer the second part of your question, the Department of Labor is not taking a backseat when it comes to helping these States get their programs up and running. We just recently announced a major technical assistance package that will put the Department of Labor in a position to do a variety of things, ranging from offering onsite assistance where asked for by Governors, to technical assistance in the form of conferences, special consultations, and just about anything that a State could possibly need to get its program up and running.

I would like to make this commitment to your committee, Mr. Chairman, and to you, Senator, that we are going to bring this transition online on time. Barring any Governor purposely standing in the way of the transition, saying I don't want it, there is nothing that will stop us from bringing this thing in on time.

I assure you we will do that efficiently, cost effectively, and professionally like we have done everything else that we have done in the last 2 years in running the agency.

USE OF UNEMPLOYMENT INSURANCE TAX FOR TRAINING AND JOB SEARCH

Senator PROXMIRE. One of the components of the administration's proposed Employment Act of 1983 is language which will allow States to use the unemployment insurance tax to finance retraining and job search assistance.

Since you told us on the 14th of the month that this year 35 States will be borrowing from the unemployment trust fund and since these are likely to be States that will exercise this new retraining authority, won't that provision result in most States going more deeply in debt to the Federal Government, at least in the short term?

Mr. ANGRISANI. It certainly could, Senator. There is a 2-percent cap on the amount of money that they can use, but, yes, it could exacerbate that situation.

Senator PROXMIRE. Rather than pass legislation that will increase State borrowing, why shouldn't Congress provide the money outright by increasing dislocated worker assistance, especially since States like Michigan and Ohio are already in desperate financial states because of previous borrowing?

Mr. ANGRISANI. I think it is a question of what we are trying to accomplish, philosophically more than practically here.

I think the 2 percent is certainly not a large amount of money in terms of the amount of money that is spent on training in our country every year, but the theory behind it is to start to look at the unemployment insurance funds as something more than just a compensation after the damage has been done and start to hopefully develop some creative ideas, both at the Federal and at the State level, on how you can deal with a person's problem prior to becoming a structural problem.

And the theory, pushed by Governor du Pont and some of the members of this administration, and manpower people throughout the country, is aimed at doing just that.

Clearly, there are options, as you say, to provide the money directly, but the bigger issue is do we want to use the unemployment insurance account long term to be more than just compensation after unemployment.

RANDOM AUDIT PROCEDURES

Senator PROXMIRE. You have gone beyond my question, but I think rightly so. I certainly feel we should do that. It can be constructive and positive for people to work instead of receiving unemployment compensation that probably would cost more.

You are rapidly expanding your random audits of State unemployment benefit payments, extending them to 20 more States in 1983, and an additional 18 States in 1984. How much will this expansion cost and how much do you expect it to save?

Mr. ANGRISANI. Our total random audit program will cost $21 million which includes a $9.7 million increase to all States in 1984. Is that not correct, Tom?

Mr. KOMARECK. That is correct.

Mr. ANGRISANI. $21 million is for the total random audit program in fiscal year 1984. How much it will save, I don't have the exact numbers, but I think in the long term it will save a lot more than the cost of the program. I can get that specific number for you.

But I think, if I can go beyond your question again, Senator, just for a second, it feeds into what I was telling Senator Domenici. We are just cracking into this whole area of what is going on out there in the overpayments.

We have outdated machinery and a complicated situation in the States. The $21 million will not solve our problem. I meant it to be a tone and trend setter that we can monitor and force the debate of how we will stop the overpayments, and the answer really is not spending more Federal dollars. The answer is in improving the technology and the way we go about conducting our payments.

Senator PROXMIRE. How many audits will you perform per 100,000 transactions?

Mr. ANGRISANI. I don't know. I will have to get that.

Senator PROXMIRE. Would you give us that information for the record?

Mr. ANGRISANI. Yes.

[The information follows:]

Each State employment security agency audits approximately eight cases (transactions) per week or 8.87 cases per 100,000 transactions. These cases are randomly selected each week from a computer-based file of unemployment insurance (UI) payments. Appropriate sampling procedures are instituted to insure that the sample drawn is representative of the statewide UI population for that week.

Since the cases are randomly sampled and since the sample is characteristic of the statewide UI population for the sampled period, the results of the audits can be used to make statistically valid estimates of UI improper payment rates for the entire statewide UI population on a quarterly basis.

PROPOSED DEBT WRITEOFFS

Senator PROXMIRE. The Employment and Training Administration plans to increase its debt collections to $35 million in 1984, a jump of $5 million over the current target. However, this increase will be almost totally offset by proposed debt writeoffs of $5 million compared to projected 1983 writeoffs of $1 million.

Why do you think it will be necessary to write off so much more debt in 1984?

Mr. ANGRISANI. We are finally auditing the business. Before we started 2 years ago extending our audit posture, we had only 10 percent coverage of all of our auditable accounts. We think we are going to be able to raise the audit coverage to approximately 70 percent of all of our accounts, which for us, would be full audit, current status, in accounting.

As a result of the expanded audits, two things are going to happen. You will get more writeoffs, but you will also get more collections.

This past year, at the end of the fiscal 1982, we had returned $132 million to the Treasury through debt collection or reducing cash lying out there in accounts. If we are doing our job right, every year you will see those numbers go up. More collections, more writeoffs, but you are going to have a more honest accounting of what is going on out there.

UNOBLIGATED FISCAL YEAR 1982 BALANCE FOR PROGRAM ADMINISTRATION

Senator PROXMIRE. I feel uneasy asking this question because it is contradictory in a way, but I think I should ask it.

You returned to the Treasury $4.1 million of the $87.7 million we appropriated back in 1982 for the expense of administering employment and training programs. In other words, you were unable to use 5 percent of the total provided. This contrasts sharply with an unobligated balance of $204,000 in 1981. The reason I am uneasy about asking the question is that there is usually a rush on the part of the various agencies to get rid of their funds in the last month or so of the fiscal year, and I think that is a bad policy and very wasteful, so you are to be commended for not spending money you do not need, but obviously we provided too much funding. Was this just a one-time aberration, or could you have another substantial unobligated balance in 1983?

Mr. ANGRISANI. The question is good. It goes right to the heart in the change of the financial managerial practices we have instituted in the Department. The proof of the pudding is just that.

I think we have an obligation to spend the money that you give us to the penny, but I think that spending it in the last month or spending it foolishly just to get it out there is improper.

What we tried to do the last couple of years was to set a tone for the system to manage their cash better. The cash management practices we put in place have done two things.

They have allowed for what I think is a tone now where people understand that they have got to budget better and manage better. They should not have large unobligated balances in the last month.

And No. 2, quite frankly, is that it is returning funds back to us for better use either in the Treasury and through our other programs, rather than laying around out there in balances, drawing interest, which were going to prime sponsors, States, and other organizations.

We took a lot of heat for that, but we did in fact get that money returned. Just the other day I received notice that there was $3.4 million sitting in an account unused, just sitting there drawing interest.

We asked for those funds to be returned, and they were returned to the Treasury, and they will be used somewhere else.

Our objective is not to deny use of the funds. It is to force——

Senator PROXMIRE. I am talking about funds for administering the program, not funds going to the prime sponsors.

Mr. ANGRISANI. I think it cuts both ways. The same principles apply to us that apply to the program funds. With the enactment of our program and pay supplementals so late in the fiscal year we just could not responsibly use that money and did not see any point in going out and spending it at the last minute.

If you notice on our S&E account, if you pass our budget and give us the staff reduction we need in 1984, we will reduce staff by approximately 40 percent over the 4-year period.

I can stand up and say with all honesty and look you right in the eye that we have not had a glitch in the providing of our services. If anything, I believe we have provided a more efficient service.

TRAVEL ESTIMATES

Senator PROXMIRE. Let me follow up with one more question. I notice in each of the past two years you have overestimated your employment and training administration travel obligations. In your 1982 budget you estimated travel costs of $1,957,000, about $2 million in fiscal year 1981 and actually obligated only $1,241,000.

In your 1983 budget you estimate travel costs of $2,459,000 and ended up obligating only $422,000.

Now you are estimating travel costs of $1,637,000 for 1983 and $1,658,000 in 1984. That is about four times as much as you obligated in 1982.

Why the big increase? Isn't it likely this will be another overestimate?

Mr. ANGRISANI. I will have Mr. Komareck give you the specifics after I say that we purposely set out to reduce the travel budget, and we are doing a better job—he is doing a better job than I wanted him to.

Mr. KOMARECK. You referred earlier to the large amount of funds we returned at the end of last fiscal year. As the agency's chief financial officer, I can assure you that Mr. Angrisani keeps a close watch on funding expenditures at the end of the year.

But last year was an abnormal year because the agency received very late in the year program supplementals totaling $8 to $9 million. Given that we did not receive those funds until very, very late in the fiscal year, as good prudent management practice would indicate, we did not incur the obligations that we might have otherwise.

We also kept a hiring freeze on throughout the entire year because we could not guarantee that we were going to receive these large supplementals which we did receive, very late in the fiscal year.

Senator PROXMIRE. I am talking about travel primarily.

Mr. KOMARECK. In fiscal 1982, we severely restricted travel in the agency, because during fiscal 1982 we unfortunately had to effect a reduction in force of 412 people. So we were laying off people in the Employment Training Administration.

We looked at every single account within the agency to insure that we had squeezed it down to an absolute minimum before we put people onto the street.

So, in fact, in 1982 we were very, very tight with our travel dollars. We also have in 1983 and 1984 a different situation.

We are now responsible for implementing a new program, and as questioned earlier, Senator, one of the things we want to do in fiscal 1983 and 1984 is to insure that the on-site technical assistance that the States ask for is indeed provided, and the level of travel funds that we ask for in fiscal 1983 and 1984 is to provide on-site technical assistance that you indicated was so desirable.

Senator PROXMIRE. It seemed to be such a contrast. In 1982, $2,459,000 in travel costs and finally obligated only $422,000.

Mr. KOMARECK. When we were laying people off, we were trying to cut every single dollar of expense that we could.

Senator PROXMIRE. We would approve of cutting every single dollar of excessive expense, especially administrative expense. It is a good practice.

I just do not understand, then, why you have to increase travel fourfold in 1984. I would see why you would increase it by perhaps 50 percent, but, my goodness, you are projecting a 400-percent increase.

Mr. ANGRISANI. We can go back and look at that if you like.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have no further questions, and I thank you very much for your testimony.

There are additional questions that I and other Members of the committee would like to submit to the record for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SETTING PERFORMANCE STANDARDS

Question: What progress have you made in developing initial performance standards for use in measuring effectiveness of the new job training programs?

Answer: The Department initiated the development of performance standards immediately after the passage of JTPA. Building on experience with CETA performance standards, an approach was developed through an extensive advisory process. As a result of this process, a draft issuance has been prepared and initially reviewed with practitioners, interest groups, and the Congressional subcommittee staff. The issuance includes a full description of the measures, methodology, application, and data reporting requirements.

Question: Specifically, what factors will be used in measuring performance of job training programs and how will these factors be weighted?

Answer: For Title II programs, the adult measures for the initial period are entered employment rate, cost per entered employment, average wage at placement, and entered employment rate for welfare recipients. Youth measures include entered employment rate, positive termination rate, and cost per positive termination. Presently, there is no intention to weight these measures differently.

Question: How much discretion will Governors have in varying standards to reflect local conditions?

Answer: In the draft issuance currently under review, the Governor has ample opportunity to vary standards.

The Secretary will provide the Governors with specific weights which reflect the influence of varying local conditions on performance. This will provide the Governor with the ability to predict the performance of local SDA's for each measure. Within the limits or parameters set by the Secretary the Governor may further adjust the standard to reflect exceptional circumstances not reflected already in the Secretary's weights.

Question: What standards will be used to measure the effectiveness of the Dislocated Worker Program?

Answer: Since there is little experience with the performance of dislocated worker programs, no standards will be set during the initial period. The Secretary will direct the Governors to set goals for the measures of entered employment rate and cost per entered employment.

We will begin collecting data which will permit the setting of standards for retention and other measures in subsequent years.

Question: What role has the National Commission for Employment Policy (NCEP) played in the development of performance standards for the new job training program?

Answer: We have had a close working relationship with NCEP since the passage of the law. They were included on our advisory committee. We continuously consult with NCEP staff on developmental issues. We are working with them on research and development and evaluation strategies as well.

Question: What role have organizations representing the delivery system and client groups played?

Answer: We very specifically included an advisory mechanism in our developmental process. Organizations and client groups were amply represented, including Governors' staff, Service Delivery Areas (SDA's), Congressional Subcommittee staff, National Governors Association, National Association of Counties, Conference of Mayors, and others. All participated very directly through the advisory committee process in the development of the approach currently under review.

ETA NATIONAL ACTIVITIES

Question: How will your research, evaluation and pilot projects differ from that conducted under the Comprehensive Employment and Training Act as a result of the new amendments?

Answer: Research, evaluation and pilot projects will continue to focus on employment and training program improvement, on emerging trends likely to significantly affect U.S. labor markets and their workforces, e.g., productivity and technological change, and on issues either mandated by law or in support of policy development.

In FY 1983, the research and evaluation agenda reflects the major changes in Federal employment and training policy embodied in the new Job Training Partnership Act (JTPA). Research, evaluation and pilot projects planned for the current fiscal year mirror the legislative objectives and Administration principles for job training programs, among them, delegation of authority to States, strong private sector involvement, and restrictions on the use of stipends.

Department of Labor plans heavily emphasize program evaluation, with a major effort to evaluate the process of transition to and implementation of JTPA. New research will reflect legislative mandates and focus on new target groups. For example, research is planned to support the development of performance standards and measurement, and State Unemployment Insurance (UI) "worksharing" programs. A study may also be undertaken of a State's experience operating enterprise zone programs.

Pilot programs, such as those currently being operated in six sites for dislocated workers, attempt to simulate actual conditions that will be operative under JTPA when fully implemented in October, 1983, e.g., a heavy Private Industry Council (PIC) role in program operation and the elimination of stipends.

Question: What are your research and evaluation priorities?

Answer: The following areas are priority subjects during FY 1983:

o JTPA Process Evaluation. This involves process evaluation studies of the transition to and implementation of (1) the main JTPA training, Title II; and (2) Title III, directed to retraining services for dislocated workers. It will study all the adjustments being made at Federal, State and local levels to put the new law into effect. These studies encompass such subject areas as PIC formation, SDA selection, role of the Governor, linkage with State agencies, and changes in program planning and administration.

o JTPA Impact Evaluation. In order to provide for future JTPA impact information, plans are underway to replace the Continuous Longitudinal Manpower Survey (CLMS) with a similar data collection system to assess the impact of participation in job training programs on employment and earnings, and reductions in welfare payments. This new system would commence data collection and analysis activities following JTPA implementation in October, 1983.

o Amendments to Wagner-Peyser Act. Provisions in JTPA amending the Wagner-Peyser Act are designed to bring about closer planning and greater efficiencies in resource allocation and specialization of responsibility among job training and placement functions. Process evaluation case studies of the Employment Service system may be undertaken in order to better understand the impact of the amendments on the public labor exchange.

Additional efforts will be undertaken to revive the Interstate Clearance System, to automate the job order process, to improve services to employers with unfilled job openings, and to assist in the relocation of job seekers. Another effort will be made to develop Employment Service performance standards and measures that reflect those for JTPA programs, for example, wages generated, retention rates, and benefit payment reductions.

o National Longitudinal Surveys of Labor Force Experience (NLS). The NLS which has been ongoing since 1966, provides crucial employment and related information on population groups at critical transition stages of working life: young men and women entering the labor force, women reentering the labor force, and men in their preretirement and retirement years. In 1979, the Department of Labor began support of a new NLS youth cohort, over 12,000 young men and women, ages 14-21, with overrepresentation of blacks, Hispanics and poor white youth. The NLS contains the only large national sample of individuals in an age cohort followed over a number of years. Since the data are longitudinal, they provide information on the long-term effects of an early event or experience, have predictive value, and are effective in pinpointing when and how employment related problems arise. Some examples of NLS analyses are: clarifying determinants of retirement age; clarifying the effects of social security and pension benefits on savings; examining the effect of women's labor force entry at older ages on their labor market success; determining the effect of youths' military service on earnings; and measuring the effects of different types of training programs on youths' labor market experience.

Question: What is the current status of the Continuous Longitudinal Manpower Survey? How will the survey be changed to reflect the new job training legislation?

Answer: The Department of Labor is in the process of modifying the interagency agreement with the Bureau of Census in order to complete final collection during 1984 of CLMS data that will provide full longitudinal records on three years post-entry experience for all samples of 1975-81 program entrants. The additional data to be collected and analyzed will greatly enhance our ability to determine the stability of previous estimates over time and through the business cycle as well as to get better estimates of the relationship between short-term and long-term performance measures. The CLMS provides the only available comprehensive data source allowing for analysis over time of basic employment and training activities. The more complete this data base, the greater will be its potential utility and applicability. In FY 1982 six institutions were awarded contracts to develop new methods of estimating net impact, reanalyzing the CLMS data using new methods, and conducting special analyses on particular sub-populations (youth and welfare recipients) and short-term measures that can predict long-term impact.

The Job Training Partnership Act (JTPA) changes the activities that will be undertaken and the system of State and local governments that will be responsible for training programs. It is therefore necessary to develop a new survey based on the service delivery areas that are established. In addition, JTPA requires the evaluations to examine the impact of the program on welfare grant reductions as well as on employment and earnings. Negotiations are well underway with the Bureau of the Census to select a sample of service delivery areas and a representative sample of participants as soon as the service delivery areas are formed and allocations are known. Negotiations are also being conducted on the best methods for obtaining information to estimate welfare grant reduction resulting from the program.

Question: What have been the outcomes or impact of those Department of Labor - funded research, demonstration, and evaluation efforts designed to affect policy and improve employment and training programs in terms of their influence on legislative or policy initiatives?

Answer: The policy impacts of research, demonstration and evaluation projects most often are cumulative rather than directly identifiable. Yet, findings from a number of Department of Labor supported projects have had major policy impacts. These include the following:

o National Longitudinal Surveys of Labor Force Experience (NLS). The NLS consist of four samples of 5,000 persons each, representing population subsets at critical transition stages in working life: young women and men, ages 14-24 at the start of the Surveys in the mid-1960's, most of whom are new entrants to the labor force; women, ages 30-44, who are likely to be returning to the labor force; and men, 45-59, in their preretirement and retirement years. In 1979, a new cohort was added to the NLS: over 12,000 young men and women, aged 14-21, with oversampling of black, Hispanic, and poor white youth, and including a sample of youth in the military. Among the many research findings that have been used for guiding policy are the following:

- Showed the willingness of youth to work below the minimum wage.

- Found that military enlistments are not disproportionately drawn from disadvantaged populations.

- Provided "norms" for the Armed Services Vocational Aptitude Tests.

- Estimated effect of health on retirement.

- Found that social security and pension benefits depressed savings and encouraged earlier retirement.

- Showed that unemployment compensation increased the duration of unemployment, but also resulted in finding a higher paying job.

- Documented the effect of work experience and time at home on women's earnings.

- Estimated later economic consequences of teenage childbearing.

- Enabled identification of target groups for government training programs.

- Identified longer term effects of unemployment on labor market success, which made it possible to identify the characteristics of the groups for whom teenage unemployment was and was not a problem.

For Department of Labor and other users, the NLS has proven a useful and unique data set for analyzing the labor market behavior and experience of selected population groups; for providing essential data on major policy related areas such as retirement behavior, wages, and work experience; for serving as a useful adjunct to other data sources, e.g., those provided by the Bureau of Labor Statistics; and for contributing to issues affecting the direction of employment and training programs.

o Downriver Community Conference Economic Readjustment Program. This Department of Labor funded program has operated since July 1980 to reemploy workers displaced due to the numerous plant closings in the southeastern Michigan area near Detroit. It provides assessment, job search assistance, classroom and on-the-job training, and relocation services to participants. The program is serving as a model for six Department of Labor funded dislocated worker demonstration projects, which began in September 1982. Evaluation of the Downriver program, and the six related demonstration projects, will serve to guide the planning, implementation and operation of similar projects under the Job Training Partnership Act. (For example, findings from the Downriver program will be used in developing performance standards for dislocated worker programs.)

o Job Service Demonstration Offices Program. The Department of Labor recently implemented the Job Service Demonstration Offices Program, a system for field testing more cost effective approaches to service delivery in preselected sites prior to their national implementation.

The program initially assessed the cost effectiveness of a streamlined, applicant self-registration procedure in the Employment Service (ES) local offices of Charleston, South Carolina. This resulted in our encouraging States that are not participating in the demonstration to start implementation of the new cost-saving procedures. In a second major initiative, a series of multiregional meetings are underway to implement operational changes to improve the National Interstate Clearance System (ICS) under the Job Training Partnership Act, which reaffirms the Secretary of Labor's responsibility to implement an effective ICS to ease the placement of displaced workers. These new procedures have been disseminated in a Field Memorandum and General Administrative Letter to all State Employment Security Agencies.

o Continuous Longitudinal Manpower Survey. Findings of the Continuous Longitudinal Manpower Survey (CLMS) on the net impact of CETA showed that among the four major types of program activities, on-the-job training (OJT) had the largest and classroom training the next largest impact on postprogram earnings of CETA participants. Public Service Employment (PSE) generated a lesser impact, and work experience produced no statistically significant impact. These findings support the increased emphasis on training in JTPA over that which was present under CETA. The CLMS findings have also been useful in the development of standards and proxies for measuring the performance and effectiveness of JTPA training programs. The new law mandates the development of performance standards based on increased employment and earnings of participants.

o Job Corps. A five-year contracted evaluation study of the economic impacts of the Job Corps and a systematic, extensive, critical review of that study, including both its findings and methodology, by persons outside as well as inside the Department of Labor, led to the conclusion that Job Corps is a useful program that should be continued. In general, the study indicated that (a) Job Corps had a positive and sizeable impact on its participants, and (b) the program's economic benefits for society are greater than its costs.

o Youth Incentive Entitlement Pilot Projects. The Youth Incentive Entitlement Pilot Projects demonstration (YIEPP) was a large-scale test of a school-conditioned, guaranteed jobs program for teenagers from low-income families. Authorized and required by the Youth Employment and Demonstration Projects Act of 1977, the demonstration was based, in part, on the theory that both school completion and work experience greatly enhance the employment prospects of teenagers. Therefore, unlike previous youth employment programs, it tied school and work together by offering jobs to all youths who met the eligibility criteria and also agreed to remain in or return to school.

The demonstration showed that selected prime sponsors could feasibly enroll large numbers of economically disadvantaged youths in a guaranteed jobs program and provide them with adequate or better work experience despite fairly demanding program constraints of time and scale.

YIEPP resulted in a modest increase in school enrollment for the overall group and a slight decrease in the dropout rate attributable to the program. The most significant impact was on the rate of return to school for those who had dropped out. In general, the program had larger effects on younger enrollees.

The Job Training Partnership Act seems directly to reflect a number of lessons about providing training and educational programs to the disadvantaged that emerged from the YIEPP demonstration. Further, some of the exemplary youth program models discussed in Section 205 of JTPA are closely patterned after the YIEPP approach.

RESEARCH AND EVALUATION

Question: How does the Department of Labor set priorities for carrying out its research, demonstration, and evaluation efforts related to employment and training activities?

Answer: Priorities for implementing the Department of Labor's research, demonstration, and evaluation efforts related to employment and training activities are guided by enabling legislation and developed through a systematic process which involves:

o Solicitation of needs from within the Department, other Federal agencies, academic community, public interest groups and concerned practitioners.

o Evaluation of inputs in terms of immediate and long-term needs.

o Determination of compatibility with legislative intent and Administration policy.

o Determination of feasibility and development of projects in conjunction with available resources.

o Consultation with policy officials and agency heads.

Question: To what extent does the Department of Labor consider immediate and long-range needs of policy-makers and program administrators in the employment and training field when setting priorities for these efforts?

Answer: The Department considers the needs of policy-makers and program administrators one of its highest priorities when decisions are made on research and evaluation plans. For example, the short-term needs of program administrators will be well served by the planned process evaluation of the transition to JTPA that we will be undertaking next year. The six demonstration projects dealing with the problems of identifying, retraining and placing dislocated workers and the technical assistance contract related to that effort are examples of projects that have an immediate short-term impact assisting administrators to recognize potential common problems and develop and share techniques to address them. The demonstration projects with Employment Service offices are additional examples of "action" research which tests operational concepts in a few areas before exporting them to the larger ES community.

To address the long-range needs of policymakers, we are expanding the National Longitudinal Surveys, which have provided significant policy-relevant information on women and older men, to include youth so that their labor market behavior can be tracked.

Another long-range effort will be the impact evaluation of JTPA (the successor to the current Continuous Longitudinal Manpower Survey) which is being designed. This will track program participants and compare their employment experiences to non-participants to isolate program impacts over time.

Question: How does the DOL coordinate these efforts?

Answer: The proposed annual procurement plan is reviewed by key ETA program officials as well as others in the Department of Labor such as the Assistant Secretary for Policy, the National Commission for Employment Policy and the Office of Management and Budget. These organizations provide comments which are fed into the review process and become factors considered by the Assistant Secretary in making the final decisions on the research and evaluation projects to be included and the resources to be devoted to each.

Question: How does the Department of Labor determine which of its research, demonstration, and program evaluation efforts are exemplary and ensure that the results are disseminated to, in an understandable form, and ultimately used by policy-makers and program administrators?

Answer: The first step in determining if a research or evaluation project is exemplary consists of review by Department of Labor staff and outside experts to see if the quality of the research is high enough to support the conclusions of the study. Demonstration projects generally have evaluations associated with them, and the evaluations are conducted by an independent organization. If the research is found lacking in quality, the contractor or grantee is asked to make appropriate changes. Projects of high quality are reviewed by senior staff for an assessment of whether or not the project can make a contribution to policy development or program operators. The senior-level reviewers make recommendations for dissemination and utilization. In some instances non-technical summaries and abridged versions are prepared.

Dissemination and utilization techniques are determined by the quality of the project, the size of the audience, and the best means of access to the audience. All reports are placed in the Department of Labor library and archived in the National Technical Information Service. This assures that the projects are catalogued and accessible to other researchers. The Employment and Training Administration publishes a reference book annually that includes a brief summary of recently completed and ongoing projects as well as author and subject indexes. Projects with significant policy-relevant findings are summarized in the annual Employment and Training Report of the Secretary (formerly they were presented in the annual Evaluation Report). Project summaries are also sent to appropriate executive staff throughout the agency.

Special actions are taken for projects with major findings. In some instances copies of reports are sent to all State Employment

Security Agencies and/or CETA prime sponsors. Special briefings are sometimes held for policymakers, and press releases are prepared when appropriate.

Question: Does the Department of Labor provide incentives to replicate or use exemplary ideas or approaches?

Answer: In general the Department of Labor does not provide special incentives to replicate or use exemplary ideas or approaches. Once an idea or approach has been demonstrated to have merit, it is expected that program operators will adopt them where possible or appropriate. It is likely that an approach that is exemplary under some circumstances will not always be the best approach under other circumstances. To offer special incentives to all programs might encourage the adoption of approaches in some instances which are inappropriate.

Financial incentives have been used on occasion to encourage programs that appear to be especially effective but have not been tested in enough sites for conclusive evidence. Incentives have also been used when startup costs are very high.

The required use of Title IIA funds for incentive grants for programs exceeding performance standards will result, hopefully, in increased adoption of exemplary ideas and approaches.

NATIONAL COMMISSION FOR EMPLOYMENT POLICY

Question: The Job Training Partnership Act reconstituted the National Commission for Employment Policy previously authorized under Title V of the Comprehensive Employment and Training Act. What projects or activities does the Commission currently have underway and what new projects are planned?

Answer: In FY 1983, the National Commission for Employment Policy will issue three policy reports with recommendations: the Eighth Annual Report to the President and the Congress, which will focus on issues related to employment changes in the 1980's such as the changing workforce, changing industries and occupations, and implications for government policies and programs; findings and recommendations on the NCEP-DOL jointly sponsored study of the labor force implications of an aging workforce; and a study on meeting the needs of employers for newly trained and retrained workers. Special reports will include a volume of sponsored research on economic development and initial findings on the implementation of the new job training legislation. The Commission will be undertaking several short-term research issues on JTPA in coordination with DOL. In addition, the Commission will be providing extensive advice on the development on performance standards under the new Job Training Partnership Act, policy advice on dealing with the very high rate of unemployment, and recommendations for linking the UI system to training and services provided under title III of the JTPA to facilitate readjustment for displaced workers in a way that meets both the short-term needs of the displaced worker and the long-term needs of the changing economy.

In FY 1984, the Commission plans to conduct in-house research, contract out for research, conduct conferences and hearings and continue to provide responses to Congressional and Administration requests for information/studies. The Commission will issue two policy reports with recommendations: The Ninth Annual Report to the President and the Congress; and findings and recommendations on displaced workers, including unemployment insurance implications. Special reports will include sponsored research on older workers; employers' needs for newly trained and retrained workers; and an evaluation of the new job training program. Research in the areas of dislocated workers and performance standards, as mandated by law, will be continued.

Question: To what extent has the National Commission for Employment Policy provided you advice on the development of national performance standards for job training programs?

Answer: NCEP has been closely involved in the development of performance standards under the JTPA. This involvement has taken several forms. First, NCEP is a member of the advisory group on performance standards and as such participates regularly in meetings and through exchange of written materials. NCEP provided DOL with official comments on performance standards development under JTPA, and all of these have been considered as standards evolve.

NCEP is also conducting some studies, through its own contracting resources, the results of which DOL anticipates using as standards are further developed and refined.

NON-SPECIFIC REGULATIONS ON REPORTING REQUIREMENTS

Question: The Federal Register regulations on implementing the Job Training Partnership Act appears to have little guidance on reporting requirements, bookkeeping, and data to be gathered on local program performance. Is Congress going to still get nationwide data on program performance and specific clientele groups being served--such as the handicapped, women, youth, ex-offenders, and veterans?

Answer: Reporting requirements have not been finalized. However, basic program performance data such as expenditures by category (training, supportive services, and administration) and termination data will undoubtedly be available on a State-by-State basis. The extent of the availability of services to specific client groups depends on whether the information is needed to develop performance standards. Performance standards modeling has not been finalized at this time.

Question: Do you plan to supplement these regulations with more specific administrative issuances?

Answer: Yes, these were issued for comment April 13. The issuance will provide a report format and completion instructions including category definitions. At this time, we will also issue technical assistance guides on participant recordkeeping and a comprehensive definition of terms.

Question: What is to prevent the various States from developing non-comparable reporting systems making it difficult to compile national summaries of program results?

Answer: Items to be reported to DOL/ETA will be defined by ETA for uniformity.

TARGETING EMPLOYMENT AND TRAINING ON THE DISADVANTAGED

Question: In the past, Comprehensive Employment and Training Act programs were criticized for "creaming" (enrolling the most qualified individuals), many of whom might have found jobs on their own. What efforts will you make under the new Job Training Partnership Act to target programs toward those people with multiple handicaps who are in greatest need of employment assistance?

Answer: The Title II program, which is targeted toward the economically disadvantaged, contains special provisions for serving handicapped individuals. Up to 10 percent of participants in each service delivery area may be individuals who are not economically disadvantaged but who have encountered barriers to employment, such as handicapped persons. In addition, the legislation authorizes the Secretary to develop regulations to permit the income of adult handicapped individuals to be looked at as a family of one in determining whether they are economically disadvantaged. In our regulations published as proposed on January 18, 1983, we have included a regulation which mandates that "An adult handicapped individual shall be considered a family of one when applying for programs under the Act." Within these enabling provisions, the responsibility for ensuring service to those most in need will rest, however, with the Governors.

Question: What percent of employment and training resources do you expect will be used for assisting physically handicapped individuals, as compared with recent experience under CETA?

Answer: Under the Job Training Partnership Act, each service delivery area develops its own job training plan for providing employment and training opportunities to those who can benefit from and are most in need of the services. The plan must also include efforts to provide equitable services among substantial segments of the eligible population. Therefore, the extent to which handicapped will be served will be determined locally and we are unable to predict what the percentages might be. During FY 1982, 9.6 percent of individuals served by local CETA programs were handicapped. The figure for FY 1981 was 8.9 percent.

In addition, ETA is currently serving handicapped individuals in national programs. Our plans for next year are not yet finalized but we anticipate that handicapped individuals would be among the groups given priority consideration for national programs under JTPA Title IVD. Handicapped individuals may also be served by the Governor as part of the Governor's coordination and special services activities.

Question: What progress do you expect to make to reduce joblessness among minority groups, such as black teenagers, which now have a 50 percent unemployment rate?

Answer: We expect that minority groups will be identified for services by service delivery areas in their job training plans, as among those who can benefit from and are most in need of services. The JTPA also requires that 40 percent of the funds allotted under Title II be used for services to youth. This requirement, and the separate funding of a summer youth employment program, should provide a substantial number of jobs for disadvantaged youth, including disadvantaged black teenagers.

IMPACT OF NEW LAW ON TYPES OF PEOPLE SERVED

Question: How will the population group served under the new Job Training Partnership Act differ from the clientele served under the Comprehensive Employment and Training Act?

Answer: In Fiscal Year 1982, under CETA Titles II-B/C, IV-A and VII combined, 97.5 percent of the participants were economically disadvantaged and 50.6 percent were youth under 22 years of age. Under JTPA the requirement is that participants be economically disadvantaged except that a service delivery area may enroll up to 10 percent non-economically disadvantaged individuals provided those individuals have encountered serious barriers to employment. These individuals may include those who have limited English-speaking ability, displaced homemakers, school dropouts, teenage parents, handicapped, older workers, veterans, offenders, alcoholics, or addicts. Each service delivery area must expend at least 40 percent of its funds to provide services for eligible youth.

Despite the minor variations between the CETA and JTPA legislative requirements, the population groups to be served are not expected to differ significantly.

Question: What impact will the limitation on stipends and supportive services have on the income level of people who participate in the new job training program?

Answer: Because of the limitation on participant supportive services costs under JTPA, participants who would have received allowances under CETA may have to seek alternative sources of income. We anticipate that many program operators will be seeking part-time employment for participants enrolled in training and will be coordinating their programs with existing health and welfare resources within the community. While it is difficult to speculate on the income level of future JTPA participants, we are confident that alternative income and services resources will enable eligible individuals to participate in the JTPA training programs.

Question: What impact will this limitation have on the duration of training for participants?

Answer: The limitation on participant supportive services costs should only have a minor impact, if any, on the duration of training. Since training programs will be designed to train eligible individuals so that they may move as quickly as possible into jobs in the private sector, the limitation on such costs may only add an additional incentive to train and place these participants more efficiently. Since the limitation will reserve more of the funds for training purposes, this will mean that more individuals will benefit from the program.

SUMMER YOUTH SUBMINIMUM WAGE

Question: You are proposing legislation for a $2.50 subminimum wage for youth during the summer, which is intended to get more teenagers employed. Why, then, do you propose to rescind funds already appropriated for this summer's jobs program for disadvantaged youth, in order to prevent an expansion of job opportunities once your legislation is enacted?

Answer: The proposed subminimum summer wage ($2.50 per hour) will provide the same level of summer employment for youth while reducing Federal expenditures. The anticipated savings can only be realized by not increasing the number of SYEP slots for FY 1983 and 1984.

Youth also will be served under the Block Grant program of the JTPA and in the TJTC program. In these programs, the emphasis will be on training since the Administration believes that youth programs should be geared less to income maintenance and more to providing job skills and training.

Question: Wouldn't this proposal undercut the employment prospects of other workers, such as the handicapped, and adults?

Answer: We believe sufficient evidence exists which indicates that this proposal should not undercut the employment prospects of other workers, particularly since it will be restricted to summer months only.

Question: What evidence is there that young workers actually favor a subminimum wage?

Answer: The proposed subminimum wage should prove quite favorable to youth. Evidence from past years is that many youth are not being hired by private employers because they lack sufficient skills and experience to earn a wage at or above the current minimum. This proposal will provide a better opportunity for more youth to get valuable work experience which can be used to demonstrate qualifications for future permanent employment.

SUMMER JOBS FOR YOUTH

Question: Your budget request includes $724.5 million to provide 718,000 jobs for economically disadvantaged youth during the summer of 1984, approximately the same number to be served with funds already appropriated for this summer. With youth unemployment of 22 percent--and 45 percent for black teenagers--isn't there justification for expansion of this program?

Answer: The youth unemployment problem, especially during the summer months remains one of the major concerns of the Administration. Increased amounts for subsidized summer jobs could have been requested. However, such a strategy would have resulted in relatively few additional opportunities. Rather, the approach which has been adopted, i.e., the addition of economically disadvantaged 16 and 17 year olds as a target group eligible for Targeted Jobs Tax Credits equal to 85 percent of the first $3,000 of summer wages and the proposed subminimum youth opportunity wage, should result in substantially greater numbers of youth obtaining summer jobs than would have been otherwise possible.

Question: What progress is being made to improve the quality of training and educational services available to enrollees?

Answer: The quality of training and educational services to summer youth should be greatly enhanced by a greater involvement of the private sector and early program planning within Service Delivery Areas.

GREATEST GAINS FOR WOMEN

Question: Research has shown that certain population groups, notably women and people with limited prior experience, benefit more than other groups from training. How will the new program focus assistance on those people most likely to benefit from it? (Background: During the last year, both the General Accounting Office and the Congressional Budget Office and National Commission for Employment Policy, in a joint study, reported that women and people with limited prior work experience benefit the most, in terms of increased post-program earnings, from job training programs.)

Answer: Title II of the Act and Section 630.1(a) of the regulations specify that all but 10 percent of the participants must be economically disadvantaged. Ten percent of the participants may be non-economically disadvantaged persons who have encountered serious barriers to employment. The Act and the regulations also require that 40 percent of funds be expended for services to eligible youth.

Within this framework, it is the State's responsibility to decide on the design of programs and the selection of participants most likely to benefit from them.

Question: How will the Department of Labor disseminate research findings to administrators of the new program so they can benefit from past research efforts?

Answer: Under Title VII of CETA, the Department has funded the National Alliance of Business (NAB) to operate a clearinghouse to disseminate program models and information on the coordination of CETA and the private sector. We plan to continue this clearinghouse, with its heavy business focus, under JTPA. As required by Section 455(b) of the Act, the Department also plans to establish a national clearinghouse to collect and distribute to program operators materials and information gained from exemplary program experience which may be able to be adapted to other JTPA programs.

FUNDING PERMANENT JOBS FOR OLDER AMERICANS

Question: What action has the Department of Labor taken in the last year to encourage national sponsors and States to move community service employment participants from subsidized to unsubsidized employment?

Answer: At the last national SCSEP conference, the Department emphasized unsubsidized placements and provided technical assistance to program sponsors in such areas as training, assessment, and job placement. Subsequently, sponsors were encouraged to increase their unsubsidized placement efforts through administrative means, i.e., letters, bulletins, and other communications.

Many sponsors undertook such activities as the establishment of Job Clubs, rotational work assignments, and greater enrollee skill training. Consequently, although unemployment has risen, the placement of older workers in unsubsidized jobs has remained constant.

In addition, the Department implemented the requirements of Section 502(e)(1) of the Older Americans Act which resulted in the establishment of a number of experimental private sector placement projects.

Question: What specific methods do you recommend to improve the rate of transition of community service employment participants from subsidized to unsubsidized employment?

Answer: The Department has instituted the experimental projects called for by Section 502(e)(1) and this effort will be repeated in the 1983 program year. These projects will increase the private sector involvement of SCSEP sponsors and hopefully will establish some effective ways to transfer older workers into the private sector.

The following steps have also been taken to improve the rate of transition:

o Training of sponsors in the techniques of unsubsidized placement.

o Increased emphasis on training of enrollees.

o Providing sponsors with information on successful placement programs or projects.

o Better ties with the private sector by their involvement in project activities and, where applicable, in the planning of training or placement activities.

o Emphasizing the enrollment of persons who are more suitable candidates for unsubsidized jobs i.e., the younger elderly, the better educated, etc.

Question: What are the rates of transition from subsidized to unsubsidized employment?

Answer: During 1982, the combined State and national sponsors rate of unsubsidized placement in the SCSEP program has been 16.7 percent. This represents a substantial increase above the 1981 level of 11.2 percent. This rate represents the number of unsubsidized placements compared to the number of authorized positions.

COORDINATION OF ELDERLY JOB/TRAINING

Question: How will the provisions under the recently-enacted Job Training Partnership Act, requiring each State to reserve a portion of its jobs training funds for economically disadvantaged older workers, be coordinated with the Community Service Employment Program?

Answer: The Governor's Coordination and Special Services plan will establish criteria for coordinating activities under the Job Training Partnership Act with other related State and local programs, such as the Senior Community Service Employment Program. In addition, the Governor is required to prepare an annual statement of goals and objectives for job training and placement programs within the State, in order to assist in the preparation of job training plans for service delivery areas. It is anticipated that the Governor's Coordination and Special Services Plan and the Governor's annual statement of goals and objectives will be important tools in ensuring the coordination of Job Training Partnership Act programs with other related programs within each State including the Senior Community Service Employment Program (SCSEP).

Question: How will the agencies which will administer the jobs training funds for older workers be designated?

Answer: The agencies which will administer the jobs training funds for older workers will be designated by the Governor after consultation with appropriate private industry councils and chief elected officials.

Question: Do you expect that the agencies which currently receive Community Service Employment funds will also be responsible for the administration of these jobs training funds?

Answer: The agencies which currently receive Community Service Employment funds will be eligible to administer these jobs training funds. However, the Governor of each State, after consultation with the appropriate private industry councils and chief elected officials, will determine which agency(s) will administer the jobs training funds for older workers.

OLDER WORKER EXPERIMENTAL PROJECTS

Question: What action has the Department of Labor taken to implement the Older Americans Act requirement for the development of experimental projects for second career training and for employment of older workers in private business concerns?

Answer: In November 1982, the Department of Labor requested the current sponsors of the SCSEP, both States and nationals, to submit private sector, second career proposals as outlined in Section 503 of the Older Americans Act. The request specified that any proposed project should have a private sector orientation and should result in private sector placement. A total of 12 sponsors responded to the request. Of these, eleven met the criteria and eleven projects were initiated in January 1983. The projects will continue through June.

Question: How will this requirement be implemented for Fiscal Year 1983?

Answer: The Department of Labor intends to utilize the same implementation approach for the 1983 program as was used last year for the Section 503 OAA programs.

Question: How will the participants for the projects be chosen?

Answer: Sponsors select private sector project participants on the basis of their interest in the type of training that it offered through the project. The majority of private sector project participants are SCSEP enrollees who have been in the program for several months. In those situations where an insufficient number of interested enrollees are available for inclusion in the project, additional enrollees have been recruited specifically for the project. These enrollees must meet the regular SCSEP eligibility criteria or, as suggested by Section 502(e)(4), the Intermediate Level Retired Couples Budget as compiled by the Bureau of Labor Statistics.

Question: How much funding does the Department of Labor intend to utilize in implementing the Older Americans Act requirement for experimental projects for second career training and employment of older workers in private business concerns?

Answer: For Fiscal Year 1982, 11 second career projects were implemented at a level of $1 million.

For Fiscal Year 1983, we anticipate funding of $720,000 to $2.1 million in accordance with section 506(a)(1)(B) which limits such expenditures from one to three percent of the amount in excess over the 1978 level of funding.

RATES OF TRANSITION TO UNSUBSIDIZED EMPLOYMENT

Question: What are the rates of transition from subsidized to unsubsidized employment under the community service employment program for the various national sponsors and for State agencies which administer the funds?

Answer: The following chart indicates the transition rates of the various national sponsors and the aggregated rate of the State Agencies for the last complete program year.

Sponsor	Placement Rate
Total State sponsors	11.3 % (Range: 3% to 33.9%)
Total national sponsors	18.0
National Urban League	(22.0)
Green Thumb	(17.6)
U.S. Forest Service	(6.4)
National Council of Senior Citizens	(11.8)
American Association of Retired Persons	(33.2)
National Council on Aging	(17.3)
National Center on Black Aged	(7.2)
National Association of Spanish Speaking Elderly	(15.8)
Total All Sponsors	16.7

Question: How do you account for the difference in the rates of transition among national sponsors and between all national sponsors and States?

Answer: The goal for unsubsidized placements is 15 percent of the number of authorized positions. The difference among sponsors in achieving that goal is due to a number of factors such as:

o Location - Sponsors in rural areas have fewer opportunities for unsubsidized placement.

o Characteristics of enrollees - some of the sponsors emphasize special client groups. For example, the oldest, the poorest, or members of minority groups. Because of prejudice or unfavorable stereotypes, these groups are particularly difficult to place.

o Enrollee job satisfaction - The level of enrollees' benefits or enrollees' satisfaction with their present SCSEP jobs may act as a deterrent to unsubsidized placement. If they find their SCSEP jobs satisfying and the benefits valuable, they become less inclined to leave their unsubsidized jobs.

DISLOCATED WORKER TRAINING

Question: What is being done to ensure that the dislocated worker is reached?

Answer: The States, which have a statutory responsibility for establishing procedures for identifying dislocated workers, may utilize Private Industry Councils as well as other entities in establishing such procedures. They are now focusing their efforts on those individuals most in need in their areas. These include individuals recently laid off or who have received notice of termination or layoff, as well as long-termed unemployed who have limited opportunities for employment or reemployment in the same or similar occupation in the immediate area.

Question: What is being done to ensure that the skills taught will be in demand upon completion of training?

Answer: The entire structure of the new training system now being put in place is geared to assuring that training opportunities are only made available in occupations for which employment opportunities exist by giving a major role to representatives of the private sector in the planning process and in the Private Industry Councils.

TARGETED JOBS TAX CREDIT PROGRAM

Question: What has been the experience in terms of number of certifications since the program was amended by the Economic Recovery and Tax Act of 1981?

Answer: In FY 1982, the first year in which the amendments were effective, 213,550 certifications were issued - a decrease of over 48 percent from the 411,581 in FY 1981.

The following table shows that while the decrease in total certifications is substantial, most of this shift has occurred in the Cooperative Education target group. This was the result of limiting the eligibility to economically disadvantaged Cooperative Education students, greatly reducing the eligible population.

TJTC Certifications
FY 1981 and 1982

Target Group	Certification FY 1981	Certification FY 1982	Percent Change
Youth (18-24)	176,131	141,048	-20
Veterans	16,112	13,668	-15
Ex-Convicts	14,970	13,721	- 8
Cooperative Education	178,984	45,575 *	N/A
Handicapped	16,311	15,303	- 6
Public Service Employment (CETA)	--	1,318	--
General Assistance	8,189	9,201	+12
Supplemental Security Income	884	950	+ 7
AFDC/WIN	--	18,341	--
Totals	411,581	213,550	-48%

* The number of Cooperative Education Certifications in FY 1982 is unknown. TJTC program data shows that SESAs made 45,575 income determinations (as a part of the certification process). Since not all income determinations result in certifications, the number of certifications issued will be fewer than 45,575.

Question: Has the decrease in certification largely been due to closing of the loophole permitting retroactive certifications?

Answer: No. The largest single reason for the decrease was the addition of an economically disadvantaged criterion for the cooperative education target group which severely reduced the eligible population.

In FY 1981, approximately 411,000 TJTC certifications were issued; this contrasts with approximately 213,000 in FY 1982. The following reasons in order of magnitude account for this decrease:

1. Cooperative Education target group has been limited to economically disadvantaged persons, greatly reducing the eligible population.

2. Legislative action ended retroactive certification for TJTC (in addition, that "before the day of hire" restriction made especially difficult certifications for employers who hire their employees immediately.)

3. Tight economic conditions continued through-out the fiscal year.

CHARACTERISTICS OF TARGETED JOBS CREDIT CERTIFICATIONS

Question: (Background: In a survey of firms, 41 percent of those that used or knew of the credit indicated "that they substituted some target hires for similar nontarget workers," thus not creating new jobs (Page 457 of "Journal of Human Resources"). What portion of the jobs obtained by members of the groups eligible under the Targeted Jobs Tax Credit Program are in low paying work, in such service industries as fast food restaurants and motels, which have high turnover?

Answer: The portion of the jobs obtained by members of target groups in low paying work (under $3.99 per hour) is substantial.

The following table contains all program data available on initial hourly wages paid when a TJTC certification was issued:

Targeted Jobs Tax Credit
Hourly Wage Distribution for Certifications Issued
Fiscal Year 1982

	(Distribution in Percents)
Under Federal Minimum Wage *	6.9
Federal Minimum Wage thru $3.99	63.7
$4.00 - 4.99	16.5
$5.00 - 5.99	6.6
$6.00 and Over	6.4
Total	100.0 (201,187) **

* Includes sheltered workshops, sales and service occupations, and other employment where wages are only part of total compensation.

** Program data on hourly wages are available for approximately 95% of the 213,000 certifications.

Question: To what extent are the employers who hire persons eligible for tax credits the same employers who normally have been found to hire workers from these groups, even without tax credits?

Answer: This information is not available, however, operational experience to date indicates that the employers who hire persons using the tax credit are in many cases the same employers who normally have been found to hire workers from these groups, even without tax credits.

Question: Has there been any change in either the types of jobs obtained by members of the target groups or the kinds of employers who hire them?

Answer: Yes. Significant changes have occurred in the types of jobs obtained by target group members. The proportion of target group members placed in clerical/sales and service occupations has increased while all other occupations have declined. The following table shows in greater detail the changes that have occurred:

Targeted Jobs Tax Credit
Occupational Categories for Certifications Issued
Fiscal Years 1981 and 1982

	(Distribution in Percents) FY 1981	FY 1982
Professional, Technical and Managerial	3.7	2.9
Clerical and Sales	13.9	16.3
Service	27.2	36.4
Farm, Forestry, Fishery	2.6	2.4
Processing	10.3	7.7
Machine Trades	9.3	6.0
Bench Work	12.6	9.2
Structural	7.6	6.0
Miscellaneous	12.6	13.2
Total (rounded)	100% *	100% *

* (Occupational data is not available for the Cooperative Education target group.)

We do not know whether or not there have been any changes in the kinds of employers who participate in the program. TJTC program data does not contain information on the kinds of employers who hire target group members. However, program experience indicates there have been changes in the kinds of employers using TJTC. Some examples of these changes are increases among fast-food and service industry employers and decreases among manufacturing and industrial employers. It is interesting to note that these changes parallel actual experiences in the labor market during recent years.

EVALUATION OF THE TARGETED JOBS TAX CREDIT PROGRAM

Question: Has the Targeted Jobs Tax Credit Program been evaluated since the Ohio State University study in 1980-1981? If not, why not?

Answer: Yes. A TJTC Quality Control Study conducted by Executive Resources Associates (ERA) collected basic information on the accuracy of the TJTC eligibility process. The study was designed to assess program integrity for TJTC and provide information regarding the need for a permanent quality control system in the TJTC program. The results of the study indicated need for strengthening the verification process.

As a followup to the ERA study, during FY 1982, DOL staff reviewed program procedures and certifications in four States and found additional evidence that verification procedures should be strengthened.

In FY 1983, specific verification procedures and reporting on same were instituted. These procedures established a permanent quality control system that requests periodic sampling of certifications to ensure the validity of TJTC certifications issued.

GETTING BETTER DATA ON TARGETED JOBS TAX CREDIT PROGRAM

Question: Has the reporting system improved since the Ohio State study and has the Employment Service been providing timely and comprehensive information so that the program can be properly monitored and evaluated? (Background: The Ohio State University Evaluation of the Program in 1980-1981 described it as a data-poor program with the information gathered from the field providing "only a rough profile of what is happening.")

Answer: Yes. In FY 1983, specific verification procedures and reporting on same were instituted. There is currently in place a permanent quality control system which requires periodic sampling of certifications to ensure validity of TJTC certifications issued.

We believe that the TJTC program can be properly monitored using the program data currently available. TJTC cannot be evaluated using current program data. Any evaluation of the TJTC program will require the collection of sample data concerning employer attitudes and hiring practices. This sample data will be sufficient for evaluation.

TAX CREDITS FOR HIRING COOPERATIVE EDUCATION STUDENTS

Question: What effect has the limitation of the Cooperative Education target group to students from economically disadvantaged families had on the number of certifications?

Answer: The effect of this limitation has been to reduce substantially the eligible population thereby greatly reducing the number of certifications.

DOL does not collect data on Cooperative Education certifications, since these certifications are issued only by the participating schools.

TJTC program data does not include an activity count of economic determinations that are made as a part of the certification process for Cooperative Education students. Since not all economic determinations ultimately become certifications, they cannot be equated with certifications issued. However, the number of economic determinations is an indicator of the level of certifications that are being issued. Approximately 179,000 Cooperative Education certifications were issued in FY 1981. In FY 1982, only 46,000 economic determinations were made; therefore the number of certifications must be fewer than 46,000.

COST OF TARGETED JOBS TAX CREDIT PROGRAM

Question: What is the projected cost of the Targeted Jobs Tax Credit Program in terms of lost revenues? (Background: According to the Joint Committee on Taxation's Conference Report to accompany H.R. 4961, the revised program is projected to cost $182 million in

FY 1983, and $551 million in FY 1984; the employment service currently receives $20 million to administer the program but absorbs an unknown amount of additional costs within its overall trust fund budget.)

Answer: The projected cost of lost revenues cannot be determined at the present time. The reason is that the Department of Treasury developed estimates of lost revenues for the FY 1982, 1983, and 1984 duration of the tax credit that were based upon certification levels in FY 1981. A total of 411,581 certifications were issued in FY 1981. Since the 213,550 certifications issued in FY 1982 were significantly below the level used for estimates of lost revenues, those estimates must be revised. The Department of Treasury is now revising those estimates. These estimates should be available within thirty (30) days.

Question: What does it cost the employment service to administer the program?

Answer: The exact cost of administering the TJTC program is not known. In FY 1982 and 1983, SESAs were allotted $20 million in general revenue funds for administration of TJTC.

In accordance with Congressional intent, the SESA's have been instructed not to use Wagner-Peyser grant funds to administer TJTC. Cost accounting reports from SESAs reflect this policy.

Question: What do you estimate is the average cost per placement, taking into account both tax expenditures and direct appropriations for administrative expenses?

Answer: The projected cost of lost revenue cannot be determined at the present time. Tax loss estimates are currently being revised by Treasury. When Treasury estimates are available, the average cost per placement can be calculated.

TARGETED JOBS CREDIT PROGRAM

Question: (Background: The Ohio State University evaluation of the Targeted Jobs Tax Credit program in 1980-1981 quoted Employment Service Administrators as saying that the Social Security and General Assistance Target Group because these "agencies do not believe that their clients are capable of working and hence see no purpose in vouchering them.") Do you agree with this assessment of the General Assistance Target Group?

Answer: No. We do not advocate that all of their clients be vouchered for TJTC; however, a portion of the clients, best known to the agency itself, would be good candidates for TJTC vouchering. Participating agencies should voucher these individuals. Program data show the number of certifications issued for this target group increased to 9,201 in FY 1982 compared with 8,189 in FY 1981.

Question: What effect do you believe expansion of the target group to include non-cash recipients will have upon their participation in TJTC?

Answer: States whose general assistance recipients received non-cash benefits were excluded from TJTC eligibility originally. Broadening the general assistance target groups by adding recipients of "vouchers and script" will increase the eligible population. Although this will only marginally increase the number of certifications for this small target group, the number of certifications was increasing before the non-cash recipients were added to the eligible population.

EMPLOYMENT EFFECTS OF "TARGETED JOB TAX CREDITS"

Question: To what extent are employers receiving "windfall" tax credits by hiring individuals that normally would have been hired anyway, even in the absence of the Targeted Jobs Tax Credit program?

Answer: There is no empirical data that indicates to what extent that employers are receiving "windfall" tax credits by hiring individuals that would have been hired anyway, even in the absence of the TJTC program.

However, it is our opinion that the elimination of retroactive certifications in 1981 greatly reduced the number of employers receiving "windfall" tax credits. (Prior to the 1981 amendments, retroactive certifications comprised one-half of all certifications.) Some employers were requesting certifications retroactively simply for reasons of convenience. Others were retroactively screening for the purpose of claiming the tax credit after the hiring decision. Employers who claimed tax credit after the hire were said to be gaining a "windfall". Since current requirements call for the employer to claim the credit on or before the day the target group individual begins work it is reasonable to assume that all TJTC hires involve a linkage between the tax credit and the hiring decision.

On the basis of operational experience, it is known that many employers now using the tax credit are purposefully seeking out TJTC eligibles when hiring. Both SESAs and private agencies report this practice is increasing.

Question: To what extent does the Targeted Jobs Tax Credit program result in displacement of non-eligible workers by employers, in order to obtain tax savings for hiring individuals from eligible target groups?

Answer: We think such displacement is minimal.

By design, TJTC singles out targeted groups of individuals who have difficulty in securing employment. The tax credit provides a specific inducement to employers which gives target group individuals an opportunity to better compete in the job market.

We do not feel that the tax credit gives target group individuals an unfair advantage, but rather an equal chance to be hired. Therefore the equal competition at the hiring gate means TJTC is working. We would be concerned, however, if non-TJTC employees were unfairly affected by an employer who lay-offs or replaces them in order to hire TJTC workers. It has not come to our attention that significant numbers of employers are displacing non-TJTC workers in favor of TJTC workers.

Question: What evidence is there that the Targeted Jobs Tax Credit Program actually creates new jobs?

Answer: There is no empirical evidence to support the assumption that TJTC actually creates new jobs.

However, the impact of TJTC in net job creation is easily obscured by larger issues and forces. (It is, of course, possible to interview employers about "new" jobs filled by TJTC eligibles.) For instance, is the total number of net new jobs including TJTC eligibles a part of an overall expansion of activities by that employer? Or, do employers react to the tax credit by applying any tax savings or wage cost advantage to creating new jobs? Some undoubtedly do, but evidence as to the magnitude or impact is lacking.

USE OF TAX CREDITS AS ANTI-RECESSION TOOL

Question: In a time of high unemployment, how effective are tax credits in successfully inducing employers to hire targeted groups of workers?

Answer: In a time of high unemployment, it appears that tax credits continue to be a successful way to stimulate employers to hire targeted groups of workers.

Although TJTC tax credits are designed as a tool to attack structural unemployment, the continued use of this credit during sub-optimum economic periods such as the one just ending does indicate that participating employers still have "turnover" or new hire opportunities. With the exception of the Cooperative Education target group, program data shows that employers are continuing to use the tax credit even when hiring is at a reduced level. In fact, many employers are trying harder to hire individuals who make them eligible for the tax credit.

Question: Would employers be willing to train these workers if their skills did not immediately fit the employers' needs?

Answer: No studies or other information provide a definitive answer to this question. However, in our opinion, some employers will be willing to absorb the costs of training needed by TJTC employees to fit employer needs. In our judgement, the majority of participating employers will be positively influenced by the tax credit.

Most TJTC target group members are hired for entry level positions. (This is reflected in the TJTC wage rate statistics.) Training is not a primary issue at this point. The underlying unanswered question is one of retention and upgrading that occurs during or even subsequent to the tax credit period. No studies or other information exist on this issue.

DISTRIBUTION OF ELDERLY JOBS BETWEEN STATES AND NATIONAL CONTRACTORS

Question: What has been the impact of the recent congressional action to require that 78 percent of Community Service Employment for Older Americans funds be allocated to national sponsors and 22 percent of such funds to State agencies? (Background: Prior to October 1, 1982, 76 percent of the funds went to national contractors and 24 percent to the States; the House had proposed giving 80 percent to national contractors, which the Senate opposed, but the conferees "split", resulting in a 2 percent shift of resources from States to national contractors such as the Farmer's Union and Retired Teachers Association.)

Answer: The congressional action caused a 2 percent shift of resources away from the State sponsors to national organizations. However, both State and national sponsors worked together to alleviate the impact of the shift. For example, projects and enrollees were shifted among sponsors so that the workers did not lose their jobs, and the agencies where they work continued to receive the benefits of their services although the program sponsors changed. In a number of areas, State sponsors were able to absorb the cost simply by not filling vacancies. On the whole, both State and national sponsors cooperated well, thus avoiding disruptions in the lives of elderly workers.

Question: Under this action, how many jobs for the elderly were transferred from State agencies to national sponsoring agencies?

Answer: Approximately 1,100 authorized positions were transferred to national sponsors from the States.

Question: Did any elderly enrollees actually lose their jobs as a result of the shift?

Answer: We are not aware that any SCSEP workers lost employment because of the shift.

Question: Is there any evidence that elderly jobs projects operated by national contractors are more cost-effective than State-run programs?

Answer: It is difficult to compare sponsor performance. Each sponsor differs somewhat in the way that it operates and the group it serves. Some of the national sponsors emphasize services to rural areas while others prefer to serve urban areas; some emphasize community services and some emphasize unsubsidized placements; some sponsors aim their programs at the minority community while others may direct the program at the oldest workers. Consequently, because the target groups and program emphasis differ among sponsors, it is hard to make fair comparisons on such matters as cost-effectiveness. The average job slot cost is $5,111 for both national and State sponsors.

RESULTS OF DEFUNCT PUBLIC SERVICE JOBS PROGRAM

Question: (Background: Some 300,000 people lost public service jobs under the Comprehensive Employment and Training Act as a result of the Omnibus Budget Reconciliation Act of 1981. The general Accounting Office reported in April 1982 that at a sample of seven prime sponsors, 50 percent of the terminated participants were unemployed and 55 percent of these uemployed individuals were receiving one or more form of Government assistance.) What is the final status of people terminated from public service jobs under the Comprehensive Employment and Training Act as a result of the Reconciliation Act of 1981?

Answer: Of the 332,108 persons terminated, 184,536 or 56 percent were placed in jobs or training positions by the CETA prime sponsors.

Question: How many were placed in unsubsidized jobs, referred to training programs, or are still unemployed?

Answer: Of the 332,108 terminated PSE participants, 121,250 were placed in unsubsidized employment; 39,884 into CETA-funded training; 23,402 into non-CETA funded training programs.

Of those persons who were not immediately placed in jobs or training opportunities, 67,000 applied for and received Unemployment Insurance benefits to tide them over their job search period.

In an additional effort to assist the remaining 80,572 persons laid off, two-part return post cards were mailed to see if they still needed help or had made other employment or training accommodations outside ETA's effort. Some 36,000 said they had not located a job or other training and therefore requested additional help. These individuals were provided follow-up assistance by their local prime sponsors and Job Service Offices.

Question: What was the cost to the Government of terminating these people in terms of unemployment compensation, and increased welfare and food stamp costs?

Answer: The Department made one time supplementary grants to the States totaling $245 million to help defray the extraordinary unemployment compensation costs of PSE terminees. Of that total, over $126 million has been outlayed as of January 31, 1983.

We have no available estimate of the total cost to the government including increased welfare and food stamp costs.

PROPOSAL TO ELIMINATE WORK INCENTIVE PROGRAM

Question: The Administration is proposing to replace the Work Incentive Program, currently funded at $270 million, with a mandatory "workfare" program for welfare recipients. How effective has the Work Incentive Program been in getting welfare recipients into permanent unsubsidized jobs?

Answer: In FY 1982, more than 200,000 WIN registrants entered unsubsidized employment expected to last more than 30 days. More than 90 percent of these actually retained their jobs beyond 30 days, resulting in annualized welfare savings of approximately $521 million. (This welfare savings estimate is based on recommendations in the recent GAO report on the WIN program.)

Question: Wouldn't State "workfare" programs be enhanced by keeping the Work Incentive Program, which provides the vocational training and supportive services necessary to help welfare recipients become self-supporting?

Answer: WIN and State workfare programs share the same goal of helping welfare recipients become self-supporting. In the 21 States currently operating Community Work Experience Programs

(CWEP), WIN is cooperating fully in order to maximize program accomplishments with the joint resources of the two programs. When WIN is terminated, training and supportive services, which complement State workfare programs, can be provided under the Job Training Partnership Act (JTPA) and the social service block grant.

Question: Do you intend to implement recent recommendations of the General Accounting Office, with which you agreed, regarding the process used to calculate and report welfare payment reductions in the Work Incentive Program?

Answer: The GAO recommendations have already been incorporated into all calculations of welfare payment reductions used in the current budget cycle and in other reports on WIN program accomplishments. Instructions for adjustments in State reporting procedures are currently in OMB clearance in accordance with the Paperwork Reduction Act of 1980.

IMPACT OF FUNDING DISRUPTIONS TO WORK INCENTIVE PROGRAM

Question: What impact did the fiscal year 1982 stop and go funding of the Work Incentive (WIN) program have on program operations in terms of the number of offices, staff, and participants?

Answer: As a result of funding cuts under several continuing resolutions in FY 1982, an emergency supplemental, and the Administration's zero budget request for FY 1983, program operations were cut back by more than one-half by the end of the fiscal year.

The number of WIN local offices was reduced by about a third (from 1,157 to 732) and the number of staff by more than half (from 12,217 to 4,820). The number of new registrants declined by almost 20 percent (from 1.22 million to 1.0 million).

Question: How was the fiscal year 1983 WIN money allocated among the States?

Answer: The allocations for States operating WIN Demonstration Programs are based on their FY 1981 allocation, as required by law. Allocations for regular WIN States are based partly on the number of registrants in each State, as required by law, and partly on performance factors, including job placements and welfare grant reductions. Current State allocations, based on the FY 1983 continuing resolution passed in December 1982, are as follows:

Work Incentives

GRANTS TO STATES

Actual and Estimated Awards for Work Incentive Program Employment and Training Activities and Social Services

	1982 Actual	1983 Estimate [1]	1984 Estimate
Alabama	2,535,989	2,378,178	---
Alaska	1,003,398	680,817	---
Arizona	1,626,610	1,781,015	---
Arkansas	1,499,308	1,460,873	---
California	35,669,859	34,772,755	---
Colorado	4,524,189	3,804,209	---
Connecticut	3,761,769	3,673,602	---
Delaware	916,221	860,769	---
Dist. of Col.	2,575,521	2,347,561	---
Florida	3,990,131	3,825,843	---
Georgia	4,107,184	3,851,602	---
Hawaii	1,608,555	1,508,458	---
Idaho	2,150,140	1,686,480	---
Illinois	13,346,325	12,515,806	---
Indiana	3,643,699	3,090,263	---
Iowa	2,804,219	2,629,717	---
Kansas	2,016,590	1,891,101	---
Kentucky	2,612,884	2,535,204	---
Louisiana	2,006,355	1,881,502	---
Maine	1,455,739	1,424,477	---
Maryland	4,979,289	4,789,402	---
Massachusetts	8,987,499	8,346,817	---
Michigan	18,029,070	18,247,871	---
Minnesota	5,344,782	5,158,244	---
Mississippi	2,025,579	1,956,758	---
Missouri	3,713,169	3,647,691	---
Montana	1,111,886	1,182,731	---
Nebraska	912,856	875,195	---
Nevada	796,550	746,982	---
New Hampshire	566,257	531,020	---
New Jersey	10,018,874	9,673,433	---
New Mexico	1,141,909	1,070,849	---
New York	23,416,717	21,926,580	---
North Carolina	3,892,315	3,650,103	---
North Dakota	618,353	575,651	---
Ohio	15,077,726	14,311,200	---
Oklahoma	1,623,392	1,523,866	---
Oregon	7,286,269	7,039,769	---
Pennsylvania	12,185,646	11,493,902	---
Rhode Island	1,511,188	1,460,133	---

Actual and Estimated Awards for Work Incentive Program Employment and Training Activities and Social Services (Continued)

	1982 Actual	1983 Estimate	1984 Estimate
South Carolina	2,054,367	1,843,348	---
South Dakota	1,159,810	1,086,226	---
Tennessee	2,656,410	2,491,099	---
Texas	6,110,629	5,234,856	---
Utah	3,166,570	3,841,250	---
Vermont	2,054,046	1,926,227	---
Virginia	3,838,575	3,599,849	---
Washington	11,180,721	11,074,965	---
West Virginia	3,981,241	3,484,891	---
Wisconsin	9,836,753	9,709,740	---
Wyoming	468,271	401,281	---
Guam	203,664	190,991	---
Puerto Rico	1,675,552	1,571,286	---
Virgin Islands	279,389	261,562	---
Postage	1,000,000	---	---
Reserve	---	3,234,000 2/	---
Subtotal	266,760,000	256,760,000	---
PD&E	14,000,000	14,000,000	---
Total	280,760,000	270,760,000	---

1/ Planned WIN Demonstrations States' Funding included.

2/ National reserve to apply towards changes in funding resulting from adjustments for WIN Demonstration start dates.

COORDINATION OF WORK INCENTIVE PROGRAM

Question: How is the Work Incentive (WIN) program coordinated with other Federal employment related programs such as Comprehensive Employment and Training Act, the U.S. Employment Service, and the Food Stamp and Aid to Families With Dependent Children Workfare Demonstration Programs?

Answer: Over the years WIN has given high priority to linkages with other programs which could provide employment related services to WIN registrants. CETA has been a primary source of such non-WIN-funded services, and it is expected that under the Job Training Partnership Act (JTPA) the level of service will increase. The U.S. Employment Service has provided testing, counseling, and job referral and placement services to many WIN registrants. WIN has coordinated its work requirement activities with the Food Stamp program, such that Food Stamp recipients who are also WIN registrants are not subject to duplicate required activities. WIN also coordinates its activities with CWEP and other welfare agency work-welfare activities to assure maximum achievement of their common goal of getting welfare recipients off of welfare and into jobs.

Question: How does this coordination result in more efficient programs?

Answer: By accessing the resources of other programs and coordinating their available services on behalf of WIN registrants, the WIN program has been able to achieve more job placements, and associated welfare grant reductions, than it would have if only WIN resources had been utilized.

WORK INCENTIVES

Question: The Omnibus Budget Reconciliation Act of 1981 authorized three new Demonstration programs as alternative to the Work Incentive (WIN) program for providing jobs for Aid to Families With Dependent Children participants--Community Work Experience programs, a jobs program, and a Work Incentive Demonstration program. How is the WIN program being coordinated with the Welfare Demonstration programs authorized by the Omnibus Budget Reconciliation Act?

Answer: In the 21 States currently operating Community Work Experience Programs (CWEP), WIN is cooperating fully in order to maximize program accomplishments with the joint resources of the two programs. In the 18 States currently operating WIN Demonstration Programs, WIN has worked closely with State welfare agencies to assure a smooth transition from Regular WIN operations to the Demonstration Programs. No States have implemented the third program authorized by the Omnibus Budget Reconciliation Act, the Work Supplementation program.

Question: If a State has a WIN Demonstration Program, can it also have a regular WIN program?

Answer: No. The authorizing legislation specifically states that a State may elect to operate a Demonstration program "as an alternative to the Work Incentive program otherwise provided in this part." States may, however, operate CWEP or a Work Supplementation Program in conjunction with either the Regular WIN program or the WIN Demonstration program.

Question: What Federal WIN-type programs are being conducted in each State?

Answer: Currently, 21 States are operating Community Work Experience Programs, 18 are operating Demonstration programs, and no States are operating Work Supplementation Programs. (See State listing which follows).

WIN Demonstration

Arizona
Arkansas
Delaware
Florida
Illinois
Maine
Maryland
Massachusetts
Michigan
Nebraska
New Jersey
Oklahoma
Oregon
Pennsylvania
South Dakota
Texas
Virginia
West Virginia

CWEP

Alabama
Arkansas
California
Colorado
Georgia
Idaho
Iowa
Kentucky
Minnesota
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Pennsylvania
South Carolina
South Dakota
Virginia
Washington
West Virginia

Question: To date, what has been the experience of the WIN Demonstration programs as compared with the regular WIN program?

Answer: The authorizing legislation for the WIN Demonstration program calls for evaluations after the first and third years of operation, and the Office of Family Assistance, Social Security Administration, Department of Health and Human Services has been delegated responsibility for carrying out these evaluations. It is our understanding that at this time there are not sufficient data available on which to base an assessment of WIN Demonstration program effectiveness.

JOB CORPS

Question: You are requesting $585.6 million for the Job Corps in the coming fiscal year -- the same as your current budget. In your justifications you talk about the development of a computerized management information system and of uniform accounting and contracting procedures. Where do these initiatives now stand and what savings do you anticipate once the systems are in place?

Answer: A variety of actions are being taken to simplify, computerize, and make use of Job Corps financial and nonfinancial reports. These actions are as follows:

1) An automated cost reporting system has been developed and implemented. This system, which replaces a highly cumbersome manual process, provides up-to-date cost information for management use.

2) A complete revision of the Job Corps financial reporting requirements is in process. This revision is being made with cooperation of Job Corps center operators. The new reporting format will reduce monthly reports from eleven pages to four, and from 199

line items to 38. This will eliminate duplicative and unnecessary reporting by center operators and provide for more efficient and timely analysis of these reports. The report is currently in clearance, and implementation is expected at the beginning of FY 1984.

3) An automated Regional Financial Management System has been developed, tested, and will be fully operational in one month. This system will provide timely information to monitor obligations and other financial information from the 10 Job Corps regional offices.

4) An obligation control system has been developed and implemented in the Job Corps national office. This automated system tracks funds allocated by Congress and assists in the development of procurement actions needed during the year.

5) In the non-financial area, the enrollee data system is computerized and increased attention has been given to the use of the data on a regularly-scheduled basis. Quarterly regional review procedures have been implemented combining financial and non-financial information.

These actions are a part of the Administration's overall plan to increase the effectiveness and reduce the cost of the Job Corps program. It is difficult to estimate the specific cost savings that will be achieved; however, it is clear that they will improve the utilization of funds for the program and eliminate inefficiencies.

Question: One of your 1982 Job Corps initiatives was the development of a guide to assure that previously identified problems in procurement design and implementation were avoided. What problems were identified and what correctives were put in place?

Answer: The problem areas identified and procedural changes taken can be summarized as follows:

1) Some contractors expressed concerns about how the procurement process was carried out, especially at the regional level. During Fiscal Year 1982, a task force was formed to develop standardized procedures for awarding Job Corps contracts. A two-volume procurement technical assistance guide, a procurement panel guide, and model RFPs for center operations and outreach, screening and placement contracts have been developed.

The technical assistance guide is designed to be used for training of staff involved in procurements and as a desk reference. This document incorporates steps which must be followed in the procurement process; relevant citations from the Federal Procurement Regulations and Department of Labor Procurement Regulations; required DOL and ETA clearances; subcontracting procedures; requirement for procurement plans; and policy guidance.

The procurement panel guide will be used for training of staff reviewing proposals, and provides guidance to review panel members on what to look for in proposals and how to evaluate them.

The model RFPs incorporate revisions which provide more information to contractors on the selection process, and place greater emphasis on a contractor's past performance and fiscal integrity.

All of these documents have been reviewed by various DOL and ETA offices, including the Office of the Inspector General, and final revisions are being made based on their comments. We anticipate final issuance in the third quarter of Fiscal Year 1983.

2) Job Corps has been criticized for excessive use of sole source contracting. During Fiscal Year 1982, a management decision was made to place greater emphasis on competitive procurements and reduce the number of non-competitive contract awards. As a result, eight Job Corps centers which were being operated under sole source contracts were designated for competition in Fiscal Year 1983. In addition, numerous sole source contracts for outreach, screening and placement activities were not renewed, and these services were procured on a competitive basis. The procurement technical assistance guide reflects this policy change.

3) Job Corps contract awards did not always relate to an approved budget or procurement plan. Beginning with Fiscal Year 1983, all available Job Corps funds are accounted for in an approved procurement plan, and no procurement actions can be taken unless they are specifically identified in the approved plan. Procedures for developing, amending, and obtaining approval for plans are incorporated in the procurement technical assistance guide.

Question: In 1982, you also established Job Corps cost and output performance standards. Would you provide a summary of those standards for the record and indicate the extent of compliance?

Answer: In 1982, the Employment and Training Administration began an intensive effort to develop performance standards for the Job Corps program. However, these activities have been temporarily suspended while the performance standards for Title II of the new Job Training Partnership Act (JPTA) were developed. This was necessary because of the legislatively-mandated deadline for completion of this portion of the JPTA standards. We plan to resume work on the Job Corps standards as soon as possible.

NATIONAL PROGRAMS

Question: Apparently staff reductions will occur in nationally funded programs and the Job Corps "in direct correlation to the reduced Federal role under the Job Training Partnership Act." How many positions are involved and how can you be sure that the work will be performed at the State and local level?

Answer: A small cut in the Job Corps staff (three budgeted positions in the national office and four in the regions) is planned. This is less than a proportionate share of the cut sustained by the total comprehensive employment and training staff since the Federal role in Job Corps will remain virtually unchanged. These staff reductions will be made possible by improved productivity including more effective use of management information systems and more streamlined accounting and contracting procedures.

The Special Targeted Programs staff will not be reduced since, as in Job Corps, the Federal role will remain much the same as in the past.

Question: Your justifications go on to say: "In some areas, current Federal responsibilities will be transferred to state or grantee staff." Please indicate what responsibilities grantee staff will assume.

Answer: As mentioned in the budget justifications, the Federal emphasis will be on oversight rather than day-to-day management. Although the Department will get involved whenever necessary to avoid or correct any major program or financial deficiencies, the States will now assume the detailed, operational responsibility for such functions as program planning and design, grant review and approval, management information and procurement and grievance systems. These must conform to the broad guidelines provided by the Act and the Department's regulations and administrative issuances.

PROTECTING PROPERTY IN TRANSITION TO NEW PROJECT SPONSORS

With the Comprehensive Employment and Training Act's expiration and the Job Training Partnership Act's implementation, service delivery areas will replace prime sponsors as the primary service providers. This transition from approximately 470 prime sponsors to an estimated 250 service delivery areas raises a question about the millions of dollars of Federally owned property held by the prime sponsors.

Question: What steps are being taken to identify all property items in which we have an ownership interest and how is our investment being protected?

Answer: Action has been taken to identify all property items in which we have an ownership interest. OMB Circular A-102, Attachment N, interpreted by CFR 70.215 identifies grantee property. ETA froze acquisition of personal property and ADP equipment for CETA prime sponsors January 7, 1982. In August 1982, an inventory of all personal property held by CETA grantees was required. In December, CETA phasedown/closeout property procedures were issued as per Section 181 (g) of the JTPA. In addition to these requirements, our investments are being further protected by an extensive training program which is training Regional Office staff and the Prime Sponsors in the disposal of CETA property in accordance with the law (CFR 70.215 - Property Management Standards) and JTPA (Sec. 181 (g)) transfer procedures and all close-out policies and procedures. ETA regional property officers will directly oversee the actual disposition of the property and/or the transfer to the new grantees.

TRANSITION TO NEW JOB TRAINING LAW

Question: In planning for the transition to the new job training program, how is the Department of Labor involving local, state, regional and national organizations representing private industry, public officials and client groups?

Answer: The Department is working with a network of organizations representing various JTPA client groups to assist in transition to the new legislation. We have contracted with: The National Alliance of Business (NAB) whose focus will be Private Industry Councils business; the National Governors Association (NGA) whose focus will be the Governor and State agency staff; and the National Conference of State Legislatures, whose focus is legislators and their staff.

Additionally, contracts are being negotiated with groups representing local elected and appointed officials. Existing contracts with national organizations such as Opportunities Industrialization Centers and the National Hispanic organization, "SER", Jobs for Servics, Inc. provide a forum for communication with representatives of client groups.

Question: What sort of technical assistance is the Department of Labor providing to assist States and local areas in making the transition to the new Job Training Program?

Answer: The Department is developing a program of technical assistance for States and local areas. Some needs assessments have already been completed and will be updated as new needs are identified by States and localities. Technical assistance is being provided through either public interest groups (such as NAB or NGA), State-to-State information exchange, or Federal staff.

Question: What is the estimated cost of this technical assistance and other activities related to transition?

Answer: The estimated cost of technical assistance related to transition is $15 million.

CHANGES RESULTING FROM NEW JOB TRAINING LAW

Question: How does the Department of Labor plan to carry out its oversight responsibilities under the new Act?

Answer: The DOL role in oversight under JTPA will emphasize monitoring, fiscal control and fiscal responsibility. Both National and regional office staff will closely monitor programs to identify problems early and provide assistance in working them out. DOL will schedule special audits or investigations of programs, through the Inspector General or other appropriate staff, if compliance problems are indicated, and sanctions or corrective actions will be imposed where required.

The Employment and Training Administration will also review the financial and compliance audits which the Governors are required to have completed at least every two years, to assure that we are in agreement with the Governor's disposition of issues raised.

Question: Does the Department envision any changes in its headquarters or field organizational and staffing structures to accomplish the Act's objectives? If so, please explain.

Answer: Under the Job Training Partnership Act, the States' role in the administration of employment and training grant programs will be increased while the Federal Department's role will be reduced. Federal staff will work through the governors more frequently and will have less direct involvement with program deliverers. The new Federal role will require fewer staff, particularly in the Regional offices.The budget and the associated staffing levels will be reduced commensurately. Employment will be reduced by 293; 146 by attrition and 147 by a proposed reduction-in-force (RIF) at the end of the Third Quarter of the fiscal year. The RIF will take place mainly in the regional offices

Question: What will the Department do under the new Act that is different from how it administered CETA?

Answer: Under CETA the Department administered 476 grants to eligible jurisdictions called prime sponsors. Under JTPA the Department will, instead, let grants to the 50 States and seven territories. The Governor will, in turn, enter into agreements with local jurisdictions called service delivery areas (SDA). The Department will not have a direct role in administering SDA grants.

Question: What plans has the Department made for keeping the Congress informed of the progress, problems and accomplishments that occur under the new Act?

Answer: In accordance with Section 169(d) of the Act, the Secretary shall submit annually to the Congress a report summarizing the achievements and problems of programs authorized by the Act as well as recommendations for program modifications based on the past year's accomplishments. A report on employment and training activities for FY 1982, including the early JTPA transition activities, will be submitted to the Congress this summer.

After the end of the first two program years under JTPA the Secretary shall also submit a report on the performance standards established under the Act in accordance with Section 106(d) (2) of the Act.

In addition to these reports, the Department is carefully tracking the States' progress in implementing JTPA and will periodically furnish the Congress with status reports.

CLOSE-OUT OF CETA GRANTS

Question: Now that the CETA has been repealed, what is the Department of Labor doing to assist prime sponsors in closing grants and subcontracts?

Answer: A training course on the policies and procedures relating to subrecipient closeout and prime sponsor grant termination is presently being developed and will be presented to regional office and prime sponsor staff starting in March.

A course on property disposition procedures under CETA and JTPA has been developed and will be delivered to regional office staff in March and prime sponsor staff starting in late March or early April.

These two courses and the technical assistance provided by ETA's regional staff will greatly facilitate the phase down and closeout of the CETA grants.

Question: What procedures are being developed to handle Audit Resolution, Debt Collection and property disposition?

Answer: AUDIT RESOLUTION--Prime sponsors are responsible for completing normal biennial audits through FY 1982 which are due to DOL/ETA Regional Offices by December 31, 1983. Prime sponsors are encouraged to perform a modified audit of FY 1983, if possible. The OIG will procure the final closeout audit of post September 30, 1983, activities. Before any new audit services are procured, prime sponsors should consult with the Regional OIC to negotiate the scope of any audits.

With CETA programs ending on September 30 services performed in lieu of cash payback is an option that will no longer be available for audit resolution purposes. Audits should be resolved by March 31, 1984. Closeout will go forward pending any unresolved audits.

DEBT COLLECTION--Existing debt collection procedures will continue to be used during the CETA phase down and closeout exercise. Of necessity, one procedure, services performed in lieu of cash pay back, will no longer be an allowed means of debt repayment, since we will no longer have a contractual relationship with the grantee.

PROPERTY DISPOSITION--41 CFR 29-70.215-5 mandates that property which the recipient has title to must be used for DOL activities or other federally assisted activities as long as the need exists. DOL/ETA encourages the transfer/leave in-place of property for JTPA activities within the prime sponsor area. If the need to support federally assisted activities no longer exists within the prime sponsor area, the property may be used for any other activities or disposed of according to 41 CFR 29-70.

The Secretary of Labor currently retains title to all property with a unit acquisition cost of $1000 or more. The Department will allow the States to obtain that property acquired under CETA with a cost over $1000. Any remaining property may be transferred to governors or disposed of according to 41 CFR 29-70. A policy is currently under discussion within the Department as to what threshold level of property acquired under CETA will remain under the title of the Secretary under JTPA. Current CETA prime sponsors will be allowed to retain property over $1000 for closeout purposes beyond September 30, 1983.

Training for property disposition will be conducted as part of the closeout training in the regions between April and June.

GAO REPORT ON JOB CORPS

Question: On July 2, 1982, the General accounting office issued a report to the Assistant Secretary for Employment and Training recommending that the Office of Job Corps stop using prohibited cost-plus- percentage-of-cost contracting practices and recover improper fee payments on contracts where this occured. What has the Employment and Training Administration done to implement the General Accounting Office's recommendations?

Answer: Immediately following issuance of the GAO report, Job Corps contracting officers were instructed not to use cost-plus-percentage-of-cost (CPPC) contracting practices. All Job Corps contracting officers have been required to attend a four-week Department of Defense training course in government contracting. Further, at the request of the Employment and Training Administration, a team of contracting specialists from the Department of Labor is conducting a review of all Job Corps contracts and modifications. This review, encompassing 120 contracts, is about 80 percent complete. Any contract which may have included CPPC contracting will be referred to the Department's Office of Cost Determination for a determination of whether improper fees were paid.

Question: If improper fee payments are recovered, what are the total dollar savings that may be realized?

Answer: The GAO report estimated that as much as $600,000 in improper fees may have been paid as a result of CPPC contracting. However, until the Department's indepth review is completed, we will not be in a position to determine the total amount of improper fee payments, if any. We will vigorously pursue repayment of any improper fee payments identified as a result of our review.

JOB CORPS CONTRACTING

Question: Please explain how the new contracting procedures of the past in the Employment and Training Administration have been implemented in the case of Job Corps contracts. How does the current system differ from previous contracting procedures in Job Corps?

Answer: The new contracting procedures have resulted in two major changes:

a) Composition of proposal review panels - panel evaluating Job Corps proposals must now be comprised of 50 percent non-Job Corps staff, whereas in the past review panels were 100 percent Job Corps staff.

b) Required clearances - contracting officers' recommendations for contract award and substantive contract modifications must be submitted to ETA's Office of Contracting for technical review and concurrence prior to execution. The clearance was not required under previous procedures.

Question: Has this system resulted in delays in Job Corps contracting?

Answer: The new procedures have not caused delays in awarding Job Corps contracts, but do require that the procurement process be started earlier.

Question: How long does it currently take, and how long did it previously take, to get a Job Corps contract?

Answer: The current competitive procurement cycle is 7-8 months, depending on the complexity of the procurement; the previous procurement cycle was 6 months.

CONTRACTING PROCEDURES

Question: Have the new contracting procedures implemented by the Department of Labor's Employment and Training Administration resulted in improved award administration? If so, please elaborate.

Answer: Yes, these procedures have improved the integrity of the ETA procurement function through greater rigor, objectivity and uniformity. As a result, accountability for proper procurement methods, governed by Federal procurement laws and regulations and agency implementing directives, has improved. Specific examples include the following:

1) One requirement of the procedures is a review of prior performance and audit history of grantee/contractors in advance of procurement refunding decisions. This review has improved ETA's effort to obtain goods and services and provide assistance to fiscally and technically responsible contractors and grantees.

2) A more systematic review of grants has helped to assure compliance with regulatory requirements and improve the quality of ETA grants.

3) The requirement for systematic, advanced planning and review of potential procurements has contributed to efficient and effective use of resources in line with program needs and priorities.

NEW CONTRACTING PROCEDURES

Question: Please describe the new contracting procedures established by the Employment and Training Administration during Fiscal 1982. When did these procedures take effect and what portion of Employment and Training Administration money do they govern?

Answer: Employment and Training Order 3-82 which established basic policy and roles and responsibilities for improving the procurement function was effective December 31, 1981.

Operational procedures designed to implement the order were developed and issued between April & June 1982. Staff were briefed on the new procedures during June and July 1982; and fourth quarter FY'82 procurement actions were made following the new procedures. Based on monitoring of the procedures, some refinements will be implemented during FY'83.

Question: How do these procedures vary from procedures of the past?

Significant differences from past procedures are as follows:

1) The level and scrutiny of review of procurement actions have increased substantially under the new procedures.

2) The role and responsibilities of contracting experts in carrying out the procurement function have increased. Clearer lines of procurement authority and accountability exist.

3) The new procedures clearly have as their focus a systems approach to management and control of the procurement function which better integrates planning, award, administration and audit resolution/closeout of contracts and grants.

4) Documentation of decisions and actions leading to the award of contracts and grants has increased.

ETA REORGANIZATION

Question: What is the current status of reorganization in the Employment and Training Administration?

Answer: As a result of the loss of over 400 positions during the FY'82 reduction-in-force, ETA reorganized in mid-1982 to realign the organizational structure and reduced staff, eliminating and merging organizational units, which resulted in a more efficient and tighter organization.

A reorganization adjustment in the National Office was recently completed which restructured the organization to be responsive to the new programs and States under the Job Training Partnership Act, as well as to continue the operations and closeout of the CETA programs during the transition period. This organizational structure is reflected in the budget presentation.

A reorganization in the Regional Office is now being developed with plans for implementation by the end of FY'83. This reorganization will also reflect the impact of the JTPA. It will be responsive to the new Federal role of oversight and monitoring.

Question: Will there be further reductions-in-force?

Answer: Since the new Job Training Partnership Act calls for a reduced Federal role and for the design and operations to be at the State level, a smaller staff will be required in ETA. The block grant features particularly call for reduced requirements for Federal Representatives. It is planned that the staffing levels will be reduced by 293 positions which is commensurate with program decreases. It is anticipated that attrition will accomplish the elimination of 146 positions; however, there will be a need for a reduction-in-force of 147 positions to reach an end-of-year employment of 1,967. ETA will make every effort to retrain employees in order that they may qualify for vacant positions in our National Office and in other Department of Labor agencies.

Question: Is the new organization currently in place structured appropriately to administer the new Job Training Partnership Act?

Answer: The organization currently in place in ETA's National Office has been designed especially to administer the new Job Training Partnership Act. As stated above, in the previous two questions, a major reorganization will take place in the regional offices to implement the reduced Federal role and give the maximum degree of authority and discretion to the Governors under the block grants.

After the phase-out of the CETA program and the start-up period under the new legislation have been completed, ETA will probably need to make some relatively minor organizational adjustments in the National Office as the need for the developmental activities diminish and new emphases evolve.

STAFF CUTS AT BUREAU OF APPRENTICESHIP AND TRAINING

Questions: During the past two years, there have been proposed staff reductions at the Bureau of Apprenticeship and Training (BAT). How deep have these cuts been?

Answer: The proposed BAT staffing level of 262 for FY 1984 represents a reduction of 70 positions from the FY 1982 level of 332. The reduction in BAT staffing levels in recent years have been on par with reductions in the overall ETA staffing level.

Question: Can you give us some comparison of the number of staff positions and staff hours allotted to BAT during 1980?

Answer: In FY 1980 BAT was allotted 459 positions and a full-time permanent ceiling level of 432 employees. End-of-year employment was 415.

Question: Can you give us some indication of the cost savings resulting from these staff reductions?

Answer: Assuming the same average cost per staff year that we are projecting for FY 1984, we estimate that maintaining the FY 1980 end-of-year level of 415 positions would require a request of approximately $22.4 million in FY 1984. Comparing this to our FY 1984 request of $14.9 million indicates a savings of approximately $7.5 million.

Question: How has BAT coped with the reductions in staff and in general appropriations?

Answer: BAT has coped with staff reductions by a number of changes to make more efficient use of staff. These have included closing some offices, consolidating and reassigning staff, using telephone answering equipment to increase staff field time and other measures to improve productivity. In those States with strong State apprenticeship agencies, State staff are assuming greater responsibility for field work.

Question: What has been the impact of these reductions upon the mission of the Bureau?

Answer: In terms of the primary measure of program effectiveness, the number of apprentices, the effect of the reductions does not appear to be significant. From October of 1980 to October of 1982 the number of apprentices declined from 320,000 to 287,000. However, most of this decline can probably be attributed to the recession and particularly to the extremely low level of activity in construction.

FEDERAL ROLE IN APPRENTICE SERVICES

Question: Are there major, significant programs of the Bureau of Apprenticeship and Training (BAT) that could not be transferred to the State and managed there equally as well or better?

Answer: There are major activities of BAT that could be assumed by States. For example, where States have fully operational and adequately staffed apprenticeship agencies they could assume full responsibility for the development and servicing of programs. However, only 29 States have any type of apprenticeship function and many of those have only minimal staff and limited operational capacity. Given the diverse nature of State apprenticeship agencies, a general transfer of programs is not a practical alternative in the short run.

Question: What are these functions which must be managed at the Federal level?

Answer: Functions that are more effectively managed from the Federal level include those relating to coordinating Federal agencies and activities, establishing goals and guidelines, working with National organizations to establish multi-state activities. Some examples are:

-- Developing apprenticeship programs in the Armed Forces and Federal agencies;

-- Developing apprenticeship programs with national corporations that have plants in many States;

-- Receiving the recommendations of the apprenticeship community through the Federal Committee on Apprenticeship;

-- Providing a clearinghouse for State programs for the exchange of experience and resolution of problems.

-- Carrying out research on apprenticeship.

Question: Since about fifty percent of apprenticeship-type training in the United States is conducted in private sector programs that are not registered with and approved by the Federal government, is there any reason why the Bureau's activities could not be transferred to private sector labor and management groups with registration left to the individual State or craft associations?

Answer: There are no reliable estimates of the number of non-registered apprenticeship-type programs in the U.S. Since there are no uniform standards in these programs, the term apprenticeship is sometimes applied to activities involving only minimal training.

With respect to transferring BAT's functions to private sector labor and management groups, apprenticeship as now structured is essentially a private sector function. It is administered by the private sector and the costs of the system are borne by the private sector. It is not clear that private groups would be interested in assuming the promotional and coordinating functions now carried out at the National level by BAT and which encompass all crafts and industries. The small number of apprentices in many crafts would not justify the costs involved.

JOB CORPS AUDITS

Question: Federal regulations require audits of Job Corps operators, deliverers, or their subcontractors at least once every two years. How many past and present Job Corps contracts have not been audited in accordance with the regulations?

Answer: There are 73 Job Corps Contract Centers with over 100 support contractors who provide recruitment, placement and training services to the Centers. Additionally, there are three major architectural and engineering (A&E) contractors with over 800 subcontractors who are responsible for structural rehabilitation projects at the Contract Centers. The Job Corps Centers have not been audited since the period ending FY 1978. These audits were released in 1979. Only a very few audits of the support or A&E contractors have been conducted. Most have never been audited.

Queston: What is the total dollar value of the unaudited contracts?

Answer: Estimated total dollar value of the unaudited contracts is $1.6 billion.

Question: What is being done to comply with the regulations?

Answer: The Office of Inspector General and ETA have jointly developed and implemented a plan to bring audit coverage of Job Corps activities into conformance with the regulations. ETA has contributed $3.9 million to OIG for the purpose of arranging for audits of Job Corps. With these funds and an additional $1.7 million contributed to date by OIG from budgeted audit contract funds, nine CPA firms have been contracted to conduct financial and compliance audits of the 73 Job Corps Centers and other special scope audits of the A&E and support contracts. The audit contracts require that the financial and compliance audits be completed by September 30, 1983. Audits of the A&E and support contracts will be completed on a staggered basis through FY 1984.

WEST VIRGINIA ORCHARDISTS' ADVERSE EFFECT WAGE RATE

Question: On January 4, 1983, the Department of Labor, acting through the Employment and Training Administration (ETA), promulgated a rule in the Federal Register concerning the Adverse Effect Wage Rate for West Virginia. The rule increased the Adverse Effect Wage Rate for West Virginia by 17.2 percent. How do you justify an increase of this magnitude?

Answer: From 1968 to 1981 computation of the Adverse Effect Wage Rate (AEWR) was based on data obtained from the U.S. Department of Agriculture (USDA) which are no longer available in the form and quantity needed. In 1982, at DOL's request, USDA provided some special calculations to enable the Department to compute AEWRs for four States (Florida, Maine, Vermont and West Virginia), pursuant to two Court Orders from the U.S. District Court for the District of Columbia. The Order in Robert A. Bragg, et al v. Raymond J. Donovan, et al, Civil Action No. 82-2361 (D.D.C. August 25, 1982) covered Maine, Vermont and Florida, and the Order in NAACP, Jefferson County Branch, et al v. Raymond J. Donovan, Civil Action No. 82-2315 (D.D.C. September 3, 1982) covered West Virginia.

The same procedure was used to compute rates for all four States as explained in the final rule published on January 4, 1983. In order to temper the 17.2 percent increase for West Virginia only ten percent was applied to determine the 1982 AEWR and the balance (7.2 percent) was applied to determine the 1983 AEWR.

Question: The Department of Agriculture criticized the methodology used to calculate the increase in the AEWR. The final rule imposing the greatly increased wage rate dismisses USDA's concerns. A large number of West Virginia orchardists and their representatives expressed similar concerns. Can you explain why these concerns were not adequately addressed in the final rule?

Answer: In the final rule the concerns of USDA were addressed directly. DOL disagreed with the analysis presented by USDA. The rule listed the data in question and explained DOL's interpretation that the data were appropriate for determining the four AEWRs.

Statement in the final rule explaining DOL's interpretation follows:

> Table II (page 234 of rule) shows that the past seven years the January to April averages in the four States have been reasonably comparable to the annual averages in those States. To compensate for year-to-year variations between first quarter and annual average wage rates, DOL determined, for each State, the average variation for the past seven years. Using the resultant ratios, DOL estimated, for each State, an annual average wage for 1981. The methodology adopted provides an appropriate balance protecting the interests of U.S. workers and agricultural employers.

The concerns of West Virginia orchardists were addressed in the rule along with the concerns of worker representatives. As stated, DOL did temper the impact of the 17.2 percent increase by dividing it between 1982 and 1983. After considering all comments, DOL selected the neutral statistical methodology which is equitable to both U.S. workers and agricultural employers.

Question: Adverse Effect Wage Rates for three other States (Florida ---sugar cane only, Maine, and Vermont) were set in the January 4 rulemaking. The largest increase among these three States was 2.5 percent. The increase for West Virginia is nearly seven times greater than the increase for any of the other three States. In light of this, please explain why the increase for West Virginia should not be considered arbitrary and unreasonable?

Answer: The increase for West Virginia is not arbitrary and unreasonable, because the same procedure was used to determine AEWRs for all four States. West Virginia was not selected out to be treated differently. DOL reviewed a number of options for determining the AEWRs which were required to be determined under the discussed Court Orders. After considering the interests of both workers and employers DOL selected an equitable methodology for determining the AEWRs.

Question: The January 4 rulemaking was unanimously opposed by the agencies of the State of West Virginia that have jurisdiction over agriculture and employment programs. The concerns of these agencies were dismissed in the final rule. Why didn't the rule take into account the valid criticisms of the affected State agencies?

Answer: Comments on the proposed rule were received from the West Virginia State Horticultural Society and the West Virginia Department of Agriculture. Comments were also received from groups representing U.S. workers. The rule took into account the diverse comments from various sources.

TECHNICAL ASSISTANCE CENTERS

Question: According to your justifications two technical assistance centers will be established in 1984 to provide on-site monitoring and technical assistance to State Employment Security Agencies. How much will it cost to establish and operate the two

Random Audit Technical Assistance Centers and how is this function currently being performed?

Answer: In FY 1984, it will cost $2.2 million to operate the two centers. Each center, one in the West and one in the East, will contain between 15-18 staff whose main functions will be to provide intensive on-site Random Audit monitoring and technical assistance to the 50 SESAs participating in this program. In addition, one of these centers will provide for the centralized Random Audit data processing function.

At present, the 35 SESAs currently participating in this program are provided Random Audit on-site monitoring and technical assistance from the National Office. A total of 15 SESA detailees augment the five full-time National Office staff assigned to the Random Audit.

The centralized data processing function is currently being performed by the Arizona SESA which receives additional funding to carry out this activity.

IMPACT OF CUT IN EMPLOYMENT SERVICE STAFF

Question: As a result of Fiscal Year 1982 budget cuts in State Employment Security Agencies, a number of State Employment Services personnel were transferred to the Unemployment Insurance Service to process claims for unemployed claimants. What impact has this transfer had on the quality of services provided and the amount of benefits paid to unemployed claimants?

Answer: The transfer of Employment Service (ES) staff to Unemployment Insurance (UI) appeared to have no measurable adverse effect on the administration of the UI program or the amount of benefits paid. The five major areas of the UI program measured by the Employment and Training Administration's quality appraisal program including promptness of UI payments and State performance in administering the UI program showed a nationwide improvement in FY 1982 over the States performance nationwide in FY 1981

EMPLOYMENT SERVICE

Question: Will the new, needs-based allocation formula provide adequate resources in each State to maintain an effective, Statewide labor exchange program?

Answer: Section 6(b)(4) of the revised Wagner-Peyser Act authorizes the Secretary to reserve up to three percent of the amount appropriated for Allotments to States to assure that each State will have an allotment sufficient to carry out employment service activities on a Statewide basis. Preliminary planning estimates will be issued to all States by March 15, in accordance with the Act. The Act also requires the issuance of final planning estimates by May 15, and during this interim decisions will be reached regarding the need for the three percent reserve to maintain Statewide systems.

Question: What impact will the amendments to the Wagner-Peyser Act have on the programmatic and administrative relationships between the Employment Service and Unemployment Insurance program?

Answer: The Amendments not only continue but strengthen the close relationship of ES to the UI system by the introduction of new language in Section 5(b)(2). This provides that the Secretary shall certify payment to each State which "is found to have coordinated the public employment services with the provision of unemployment insurance claimant services". With regard to programmatic aspects, Section 7(a)(3)(F) authorizes the use of funds for the employment service to administer the work test for the State unemployment insurance compensation system and provide job finding and placement services for unemployment insurance claimants. These amendments will assure adequate coordination in planning the delivery of services and provide the funds for implementation of the planned services.

Question: The Act states that ES and UI claimant services are to be coordinated as a condition for the receipt of ES funds. How will this be defined in regulation?

Answer: Provision will be made in the regulations to assure that States are in compliance with the Wagner-Peyser Act. The regulations are still under development in the Department.

Question: How is the Department set-up to closely monitor and evaluate the impact of the changes brought about by the Wagner-Peyser amendments, and initiate corrective action measures - both administrative and legislative?

Answer: Employment and Training Administration staff, both in the National and Regional Offices, will conduct oversight reviews of program and financial activities of States in carrying out the Wagner-Peyser Act.

JOB LISTING PROGRAM FOR VETERANS

Question: How will compliance monitoring activities under the Federal Contractor Job Listing program for Veterans be funded in Fiscal 1984?

Answer: The Assistant Secretary for Veterans Employment Service has primary responsibility for monitoring the Federal Contractor Job Listing program and the cost for monitoring it is contained in the Federal salaries and expense account for veteran services. This account provides funds for Federal staff at the National Office level, representatives at Regional Office levels, and for State Directors and Assistant Directors of Veterans Employment Services in each State.

Under the Wagner-Peyser amendments, the State allotment funds are only for Wagner-Peyser authorized activities; therefore, those funds will not be used to finance these activities.

TYING LENGTH OF JOBLESS BENEFITS TO LOCAL UNEMPLOYMENT DATA

Question: How feasible would it be to develop legislation and implement an unemployment compensation program where the weeks of benefits would depend on local unemployment data, rather than state-wide data?

Answer: The problem of using a geographical unit smaller than a State for determining eligibility for benefits beyond a standard

State duration is one to which we have given considerable attention. We do not believe this to be a viable approach because of problems of equity between claimants and the lack of credible data for dealing with substate areas. Some of the issues that would be raised by such an approach include:

- Should an individual's right to benefits be based upon place of residence or last place of employment? If the place of residence were to be the basis for eligibility, a distinction would be made, on the sheer happenstance of place of residence, between workers who have worked side-by-side with identical employment records.

- An area approach would create a situation in which substantial cash benefits are available to certain unemployed workers and not to others in the same State with essentially the same work histories. In fact, workers might be denied eligibility whose labor force attachment had been far greater than that of other workers who were eligible.

- Employers do not now report the specific place of work of individual employees for any geographical area smaller than a State. Similarly, a claimant's last place of employment is not assignable as part of the claims process. There are many situations in which an individual may work for the same employer at many different worksites in the course of a calendar quarter or even in a month or a lesser period of time. This is particularly true in the construction industry.

The administrative cost, feasibility, and equity issues that arise would in our judgement make such a change extremely unwise.

Question: Why not set up demonstration projects to let a few States experiment with an extended benefit program tied to local unemployment rates?

Answer: The same problems that were cited in the previous answer apply as well to the feasibility of the development of demonstration projects. Additional problems arise in the need for enabling Federal and State law changes that would require considerable lead time and in the end result in a dual system of extended benefits. By using area triggers, workers in some areas of a State might benefit from the change, while others might suffer loss of benefits now available to them. This would create an additional equity issue. We believe all of these considerations, as well as the considerable administrative cost involved, mitigate against the advisability of such demonstration projects.

SPECIAL UNEMPLOYMENT BENEFITS PROGRAMS

Question: What are the justifications for special unemployment compensation programs for those unemployed because of a disaster or expansion of the Redwood National Park when most beneficiaries would probably also receive regular State Unemployment Compensation?

Answer: We have reviewed the Redwoods program and our conclusion has been that since it is very limited in scope and will expire in the near future, there is no need for action at this time.

Question: Is it equitable to give special additional benefits to the beneficiaries of these two programs, while not providing additional benefits to other workers unemployed because of other Federal Government policies?

Answer: The subject of allowances for individuals affected by national disasters are currently under review within the Administration.

TRADE ADJUSTMENT ASSISTANCE

Question: Given the current group eligibility criteria for Trade Adjustment Assistance, can the Department of Labor really screen out people who are unemployed primarily for reasons other than import competition?

Answer: The Department has had the primary responsibility for investigating petitions for adjustment assistance certification since April 1975. More than 13,000 investigations have been conducted and almost 70 percent of them have resulted in denial of certification because of substantial evidence that ruled out import competition as an "important" contributing factor to the unemployment of the workers and the decline in sales or production of the firm involved in an investigation.

The denial rate has tended to increase in periods of cyclical downturn even though imports generally lag changes in economic activity. Department investigations do capture information that allow distinctions to be made as to the significance of import competition as opposed to other factors in particular instances of unemployment.

TRADE BENEFITS

Question: If Congress renews Trade Adjustment Assistance allowances for fiscal 1984, what additional amount of Federal funds would need to be appropriated for this entitlement program?

Answer: We estimate that the additional cost of extending the Trade Adjustment Assistance allowances for fiscal 1984 would be $51 million.

GSA RENTAL COSTS

Question: You seem to have some very substantial increases in your rental costs. For example you show a GSA space rental increase of $436,000 in Employment Security Program Administration on a base of $1,408,000--an increase of about 31 percent--which is offset to some extent by a program decrease of $313,000 reflecting a space reduction due to reduced staffing levels. Is GSA truly increasing standard level user charges by almost one-third?

Answer: In 1984 ETA's standard level user charges (SLUC) have been increased by $3,229,000 as a result of mandatory increases in the cost of GSA space rental. These increases were shared among the budget activities including the example you quoted, Employment Security. The various increases are based on each activity's full-time equivalent positions (FTE) which accounts for the Employment Security's increase of $436,000.

The decrease is the result of the Department's decision to reduce office space and also, the result of staff reductions. This decrease is not associated with positions, but is based on the reduction of square feet which is then fairly shared among the budget activities.

GSA and contracts made with private concerns account for the total increase of $3,229,000 which is offset by the total $2,317,000 decrease, of which the ES share of $313,000 is your example. The percentage of increase varies from 0 to 100 percent. The chart below shows the overall rental costs.

1983 Estimate	$6,920,000
Mandatories	+3,229,000
Subtotal	10,149,000
Decrease	-2,317,000
1984 Estimate	$7,832,000

SUBCOMMITTEE RECESS

Senator WEICKER. We appreciate your testimony, and thank you very much.

The subcommittee will recess until 8:30 tomorrow morning, when we consider the request for Labor-Management Services Administration, the Pension Benefit Guaranty Corporation, the Employment Standards Administration, and the Bureau of Labor Statistics.

[Whereupon, at 9:40 a.m., Monday, February 28, the subcommittee was recessed, to reconvene at 8:30 a.m., Tuesday, March 1.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 1, 1983

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Warren Rudman, presiding.

Present: Senator Rudman.

DEPARTMENT OF LABOR

Labor-Management Services Administration

STATEMENT OF RONALD J. ST. CYR, DEPUTY ASSISTANT SECRETARY

ACCOMPANIED BY:
JOHN J. WALSH, DEPUTY ASSISTANT SECRETARY
ERNEST J. GERMAN, DIRECTOR, OFFICE OF MANAGEMENT

INTRODUCTION OF ASSOCIATES

Senator Rudman. The subcommittee will come to order. Today we are going to continue our review of the 1984 budget requests of the Department of Labor.

The testimony this morning will be from the Labor-Management Services Administration, the Pension Benefit Guaranty Corporation, the Employment Standards Administration, and the Bureau of Labor Statistics.

We will begin with Mr. Ronald St. Cyr, Deputy Assistant Secretary of the Labor-Management Services Administration.

Mr. St. Cyr. Thank you, Mr. Chairman. I have with me on my left my co-Deputy Assistant Secretary at the agency, Mr. John Walsh; and on my right, the Director, Office of Management, Jerry German.

We welcome the opportunity to appear before you this morning to make known our needs. We have submitted to you a statement. For purposes of brevity, however, let me just summarize.

PREPARED STATEMENT

Senator Rudman. The entire statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF RONALD J. ST. CYR

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you as Deputy Assistant Secretary of Labor for Labor-Management Relations to present the budget request for fiscal year 1984.

The fiscal year 1984 request is $64,130,000 and 1,248 positions. This is an increase of $6,118,000 and 131 positions. Approximately $2,000,000 of the increase will cover necessary costs associated with salaries, including annualization of a 1983 program increase, administrative and support services and alteration and renovation costs. The remaining portion of the increase will provide resources to support enforcement of the ERISA, and the Landrum-Griffin Act and to strengthen the Cooperative Labor-Management program.

The appropriation for the Labor-Management Services Administration covers several enforcement areas including standards enforcement, veterans' reemployment rights, and pension and welfare benefit programs. Additional responsibilities encompass a variety of employee protection and labor-management relations functions.

I would now like to share some of our current year plans, and outline the proposed initiatives for 1984 and the effects these changes will have in future years.

In 1983, and 1984 the Pension and Welfare Benefit Programs strategies will follow initiatives and policies begun in FY 1981. These strategies are aimed primarily at improving and augmenting enforcement activities and eliminating unnecessary regulatory requirements. The direction of enforcement activities has been to decrease attention on the non-fiduciary provisions of ERISA, such as reporting requirements and essentially technical infractions in order to concentrate more effort on conduct which directly impairs the integrity of plan assets. While this includes a continuing strong emphasis on significant violations of ERISA's fiduciary provisions, the major policy decision for 1983 and 1984 is to increase the emphasis given to investigating potential violations of related criminal aspects of law. These enforcement priorities are being supported by more effective targeting methods and improvements in investigation techniques and litigation efforts.

In order to increase the number and quality of investigations of alleged criminal violations and referrals to the Department of Justice, our 1984 budget submission includes a request for 45 new positions.

In addition, $750,000 is requested to pursue research and data collection for the purpose of monitoring and evaluating the impact of ERISA and the operation of private pension plans on the nation's economy and its pension participants.

In the Labor-Management Standards Enforcement program the main thrust will continue to be on criminal investigations involving embezzlement of union funds, and on union financial audits. We will implement, during 1983, "Embezzlement Case Development Plans" which are designed to improve the program's ability to uncover embezzlements and other criminal activity through periodic contacts with law enforcement agencies and other prime sources, and by regular, systematic evaluation of all available criminal intelligence.

During 1984 there will be a continuing commitment to achieve an effective criminal enforcement program with stepped up activities particularly in the areas of investigations and audits. In support of this effort, Congress approved 75 additional positions for 1983. To further expand these activities, our 1984 budget package includes a proposal for 75 additional positions. With approval of these positions, combined with the 75 approved for 1983, we will reach our goal of reducing the frequency of audits from intervals of 25-30 years down to realistic levels of 5-10 years.

During 1983, the Labor-Management Relations Services program will continue to carry out employee protection programs and provide support for high priority labor relations functions. In addition, the cooperative labor-management program is shifting emphasis from development and implementation of an in-house employee participation program to an outreach effort designed to assist the industrial relations community.

The outreach effort will be fully implemented in 1984 and will encourage business and labor leaders to re-examine their old ways of relating to one another and to explore less adversarial methods of stimulating productivity advances and improving the quality of working life.

Activities in 1984 will include the creation of an information exchange and publications program that makes readily available, data on issues, developments, experiences with various kinds of cooperative programs, and sources of technical assistance; provide advice and assistance to organizations concerned with the implementation of cooperative programs; conduct and support research designed to fill the information gaps; organize and sponsor national and regional conferences to promote dissemination of information about new concepts and programs; and develop training programs and materials to enhance the capability of union and management officials to design and administer their own cooperative programs.

For this function we are requesting 10 positions in 1984. We believe there is a critical need to initiate a national effort to improve productivity and the quality of working life and to ensure that employers, unions, and community leaders are made aware of the best experience and learning in productivity and work quality, and have access to techniques and resources to adapt this experience to their own needs.

Concerning the Veterans' Reemployment Rights program, Secretary Donovan signed an order on February 3, 1983, which has transferred responsibility for this program to the Assistant Secretary for Veterans' Employment, William C. Plowden. While the funds for this program are included in the LMSA appropriation request, Assistant Secretary Plowden will be providing the testimony in support of the funds for this activity.

In Executive Direction, Management and Support during 1983 and 1984, the principal objectives are to make LMSA operations more efficient, effective and economical. Specifically, the three primary

management improvement projects are self-examination of workload, the organization structure and the internal allocation of resources to eliminate less essential activities and to be more efficient in doing those things which must be done. The primary focus will be on managerial and control functions and systems and the decentralization of routine support service workloads to operating units whenever it can be accomplished without adverse effects on program responsibilities.

Mr. Chairman, I thank you for the opportunity to present our programs to the Subcommittee. My colleagues and I will be glad to respond to any questions you may have.

BUDGET REQUEST

Mr. St. Cyr. Thank you, sir. Summarizing briefly what is contained therein, we have a request over our 1983 budget level, $6,118,000 and 131 positions.

That $6 million breaks down something like this: $1,992,000 to cover annualization costs for the 1983 LMSE positions increase, increased cost of salaries, space, rental, and administrative and support services.

To finance the requested 45 positions in order to expand efforts $1,050,000 is there to protect the pension and welfare plan assets through increased activity in both fiduciary and criminal investigations; $1,400,000 to finance the requested 75 positions in order to conduct more enforcement activities, particularly criminal investigations and audits, and improve overall enforcement support in our LMSE program.

To finance a requested staff increase for cooperative labor-management programs. The request there is $256,000 for 10 positions.

To publish a resource guide and directory, prepare case studies, issue monthly periodicals, and prepare material for use at regional conferences, seminars, and workshops $130,000 is requested. This is under the labor-management relations services program.

To contract for expert professional services in the preparation of unique audio-visual materials to be utilized in conducting regional conferences, seminars, and workshops in our division of cooperative labor-management programs, $290,000 is requested; $250,000 in contract research to study and/or determine the contribution of cooperative efforts to facilitate the introduction of new technology, the involvement potential for small business in labor-management cooperative efforts, and the structure and process of cooperative in-plant programs; and $750,000 in the pension welfare benefits programs for contract research to carry out the authority granted to the Department by ERISA—section 513—to pursue research and data collection for the purpose of monitoring and evaluating the impact of ERISA and other Government pension policies on the Nation's economy, and its pension participants.

That briefly summarizes what you will find in the opening statement, Mr. Chairman.

My colleagues and I stand ready to answer any questions you may have.

Senator RUDMAN. All right, Mr. St. Cyr. We do have a few questions, and some of them will probably have to be answered for the record.

But it appears your agency has presently more program initiatives than any other unit within the Department of Labor.

We have about $6 million over the fiscal year 1983 appropriation, particularly as we are trying to restrain the budgets right now.

Do you feel that you have looked at these—the Secretary has looked at these in terms of assessing priorities and deciding that these are absolute necessities at this point, and cannot be deferred another year?

Mr. ST. CYR. Yes, sir. We have taken a very close, very hard look. When we first came to LMSA in the spring of 1981, we began assessing the condition of our areas of responsibility.

We have here an LMSE positions list that I'd like to submit to you for your perusal. It shows our staffing level for the past 10 years.

Senator RUDMAN. That will be included in the record.

[The information follows:]

LMSE budgeted position history

1973	682
1974	630
1975	545
1976	529
1977	479
1978	479
1979	440
1980	440
1981	440
1982	370
1983	445
1984	520

DELAYS IN CORRECTING PROBLEMS

Mr. ST. CYR. To continue, we did find depleted staff conditions, serious problems with program direction, and that some laws were simply not being enforced.

As a result, we have received criticisms from the Senate Permanent Subcommittee on Investigations.

Senator RUDMAN. Of which I am vice-chairman. I'm going to get to that in just a moment. [Laughter.]

Mr. ST. CYR. The Hatch Committee on Criminal Compliance and the GAO, to name a few. Any further delays in correcting these problems could further weaken our entire enforcement effort, with very serious consequences for the people these laws are designed to protect.

In the pension and welfare benefit programs area we must be in a position to concentrate more effort on conduct which directly impairs the integrity of the plan assets. While this includes a continuing strong emphasis on significant violations of ERISA's fiduciary provisions, a new policy decision demands increased emphasis be given to investigating potential criminal violations of the law.

For these reasons, we feel we cannot defer our request for another year. I would like to submit these employment charts for a visual look at where these two programs have gone, staffingwise. One is for LMSE, and one is for PWPB.

[The information follows:]

PWPB budgeted position history

1975	435
1976	514
1977	589
1978	642
1979	651
1980	625
1981	594
1982	478
1983	478
1984	523

LABOR-MANAGEMENT STANDARDS ENFORCEMENT

Senator RUDMAN. Your request is for 75 additional positions for augmenting your investigations unit, particularly embezzlements, and things of that nature.

And that's in addition to the 75 positions which were appropriated in December under the continuing resolution.

I'm just wondering in terms of the absorption of people, the training of people, whether or not it might—you might not go ahead with the 75 for this year, and see how that works before adding even more?

Is that a reasonable statement, knowing probably as anyone else in the Senate, the particular history of what's been going on, and why the pressure has been upon your agency to do precisely this.

But I have seen as many agencies have troubles from indigestion as from starvation. And I'm just wondering whether you want to bring 150 investigative people in all at the same time, training them, getting them out to the field; or whether or not that's an efficient use.

I don't know the answer to that. I would like you to supply that.

Mr. ST. CYR. Well, Mr. Chairman, 150 was the request in the last budget, and it was reduced to 75 for the very reasons you are citing—how could you handle 150?

So what we ended up with was 75 for 1983, and 38 staff-years.

Now, we have put on board, I think, 22 of the 75. We had to spread them over the year in order that we only use 38 staff-years.

We will, during 1983, employ that amount. We will have 75 people, but we will only have expended 38 staff-years.

EMPLOYEE EXPERIENCE REQUIRED

Senator RUDMAN. Tell me, on that point, what other criteria that you are looking at to hire these people. What kind of backgrounds are you looking for? Who are you hiring?

Mr. ST. CYR. Well, I'd like to defer that question, if I might, to Mr. Richard Hunsucker, who is here. He is not on the witness list.

Senator RUDMAN. Feel free. Your name, for the record?

Mr. HUNSUCKER. Richard Hunsucker, Director, LMSE.

Senator RUDMAN. Why don't you come right up here?

Mr. HUNSUCKER. One of the prime criteria that we were interested in, of course, since these people would be engaged in our audit and embezzlement programs, particularly in the audit of the CAP program, is experience of some sort in the audit/accounting areas.

We are also looking at people, particularly in some of the universities, for example, that have criminal justice programs; we are looking for this type of thing.

Also in the current situation we're facing economically, there are also investigators available from other agencies.

Those are the three prime areas that we're looking for.

TRAINING

Senator RUDMAN. Are you establishing a training program for them?

Mr. HUNSUCKER. Yes, sir. We have had high hopes of enhancement for perhaps a year. Our program is being developed right now, and we intend to come on line April 1.

Senator RUDMAN. Is that training program one you are developing within the Department of Labor?

Mr. HUNSUCKER. Yes, sir. Within the organization. We intend to be able to begin training on April 1 or 15.

We will begin the training in field offices on orientation, the first few weeks of April. We will bring them along by the first of May for further training.

We intend to bring them in to a central site for 2 to 3 weeks of embezzlement and audit training.

Senator RUDMAN. Have you attempted to work at all in terms of getting information models, training models, from either IRS or the FBI? In either of their white-collar crime units?

Mr. HUNSUCKER. Yes, sir; we have. The individual who is heading our training program, for example, has been in touch with both agencies.

We have some of the training materials from IRS that we are reviewing. And we also have used the Treasury Department school in Georgia for the past several years.

We have utilized that for people already on board, for upgrading purposes.

Senator RUDMAN. The reason I asked the question is because my own experience before coming here with the organized crime units is that they have excellent training programs.

Mr. HUNSUCKER. Yes, sir.

Senator RUDMAN. And there's no sense in reinventing the wheel.

Mr. HUNSUCKER. Very true.

Mr. ST. CYR. I might add, Mr. Chairman, we do have on our staff now a gentleman, the gentleman to my left here, John Walsh, who has had extensive training involvement with the FBI, and has also worked with the Senate Permanent Subcommittee on Investigations.

So he brings us a great deal of knowledge in the whole area of training.

ANNUALIZED COST

Senator RUDMAN. You are requesting $1.4 million for these positions which is only $18,000 a slot in fiscal year 1984.

What is your anticipated annualized cost of these positions?

Mr. GERMAN. I'll supply the figures.

Senator RUDMAN. Will you supply it for the record, please?

Mr. GERMAN. Yes, sir.

[The information follows:]

ANNUALIZED COST

Our current projection for the total annual cost of the requestd 130 new positions is $6.1 million.

ERISA REQUEST

Senator RUDMAN. You're also requesting an additional 45 positions and a little over $1 million for fiduciary and criminal investigations related to ERISA.

Can you elaborate on the need for these positions?

Mr. ST. CYR. Yes, sir. Mr. Walsh has been working with this program. So we would like him to respond.

Mr. WALSH. I would like to just briefly indicate what the nature of the universe is, that we have to deal with in the ERISA program.

The most current information is, there are about 650,000 estimated private pension plans which are in existence, and which we have responsibility to monitor.

There are, in addition, about 1.5 million private welfare plans. The assets of the private pension plans—again, the estimated figure for 1981—is about $560 billion.

We have about 35 million participants and about 11 million beneficiaries in the universe of these pension plans. We have 24 offices, and at the present time, we have around 200 people in the 24 offices.

We are asking for 45 additional people, all for the field. Thirty-eight of them will be investigators, and we want to use these people to expand our investigations, to look for civil violations, and to look for criminal violations.

In the past, the policy of the Department has been to discourage criminal investigations. But under the present Secretary's policy decision, we are expanding our operation to look for and to seek to find both civil and criminal violations, and to see that they are investigated and prosecuted.

We feel that the number of positions that we are asking for is fairly modest, considering the number of plans for which we have responsibility, and our investigations have been limited in the past by the small number of people which we have in the field.

Senator RUDMAN. Well, that's encouraging, because certainly all of PSI's work indicated that's sorely needed.

Let's talk about the task force report on pension laws. The task force on the Employee Retirement Income Security Act reported that the Department of Labor's enforcement policy in the pension area needs to be reviewed.

Have you planned or initiated such a review?

Mr. WALSH. I shall respond to that. Yes, sir; we have. And it hasn't been signed off, but it's on my desk now to be signed off—a complete revision of our investigative policy, which says what I touched on before, that our field investigators will look for and seek to investigate both civil and criminal investigations to protect the interests of the participants and the beneficiaries.

Senator RUDMAN. And I assume that if you uncover individual incidents of criminal conduct that you now have a policy of confirming with the DOJ?

Mr. WALSH. Yes, sir.

Senator RUDMAN. I could never quite understand the prior policy, which of course, was not yours, but where we had testimony that it was not the policy to affirm those, and I never could really understand that.

Mr. WALSH. They will be handled now.

COMPUTER TARGETING

Senator RUDMAN. I also understand that you are developing a towering capability using computers.

Mr. WALSH. Yes, sir.

Senator RUDMAN. Can you tell us about that? Are you in development on that now?

Mr. WALSH. Yes, sir. At the present time, it's still a little bit primitive, but we have developed two types of cases which we detected through the use of computers, and which we have sent to the field for an inquiry to see whether there is a real violation there.

The cases I'm speaking about are cases which involve the ratio between the number of participants, and the administrative expenses, and the others are instances which were detected by the computers, which indicate the possibility of prohibited transactions.

There are about seven other types of potential areas where such violations might exist in which we are experimenting and where we expect to send some cases to the field for an inquiry and investigation.

We have sent about 300 cases to the field within the last month.

Senator RUDMAN. So essentially you are developing your own techniques, probably not unlike those the IRS uses to target returns from the statistical aberrations.

Mr. WALSH. That's right. The forms we deal with are a little bit different, but we are developing our own techniques.

LABOR-MANAGEMENT COOPERATION

Senator RUDMAN. Now, let's turn to the subject of labor-management cooperation just for a moment.

Tell us, does the Division of Cooperative Labor Management duplicate the activities in any way of the Federal Mediation Service under the Labor-Management Cooperation Act of 1978?

Mr. ST. CYR. No, Mr. Chairman; they do not. But we have with us Mr. John Stepp, who is the Director of that program.

Senator RUDMAN. Fine. Have him come to the table, also. We'll have the whole table full before we finish.

Will you identify yourself for the record.

Mr. STEPP. I'm John Stepp, Director, Labor-Management Relations Services.

I used to be at FMCS, in charge of the program you just referenced. I am comfortable there are significant differences between what FMCS is trying to do under the Labor-Management Cooperation and what we are trying to do.

Senator RUDMAN. Why don't you outline those.

Mr. STEPP. OK.

I think the programs complement one another. The grants program that FMCS has is designed to provide some seed money to establish experimental labor-management committees—basically at the community level.

They are modeled after the Jamestown experience in New York. That program is funding about 10 different experiments each year. The program that we have is an information-based program to provide labor and management practitioners with information about a variety of options that are available to them that are less adversarial than the traditional ways. And if they were to be employed, we believe it would result in greater productivity and enhanced quality work.

I think it also should be pointed out that the FMCS program is limited to employees that are organized, which represents about 20 percent of the total labor force, whereas the information that we are providing is for all employers and unions.

But we cover both the organized sector of the labor force, as well as the unorganized sector.

Our program is not designed to provide money or services directly to people to conduct experimental projects, but instead is broader based, trying to build some capacity within existing institutions to service their clientele in this area of the building cooperative labor-management programs.

Senator RUDMAN. The fact that the cooperative efforts in the construction industry were eliminated in 1981, I understand that doesn't affect this?

In other words, you are in many other areas in addition to that area?

Mr. STEPP. That is correct.

INDUSTRY AWARENESS

Senator RUDMAN. What particular industries have you been working with?

Mr. STEPP. We have worked with several trade associations—and this gets to the point I was making earlier about not trying to work directly with the parties themselves. We don't think we would use our resources very well doing that.

We have worked with the Rubber Manufacturers Association, and we are working now with the Association of Broadcasters.

And you may have seen that on television, the Howard K. Smith public service ads, where they're trying to highlight exemplary cases that direct labor and management's attention to some best practices that are occurring in this country.

You don't have to look to Japan necessarily to find your models.

We helped them locate these examples. They have affiliated radio and television stations across the country who have donated up to $130 million to public air time to highlight these cases.

So, we are working with any associations that we can and international unions, as well as productivity centers and university-based programs to try to heighten the awareness of the kind of cooperative approaches that are existing, and are getting some really phenomenal results.

UMTA SECTION 13(C)

Senator RUDMAN. Thank you very much.

Finally, just for another series of questions, we understand that the Labor and Transportation Departments are studying the effects of section 13(c) of the Urban Mass Transportation Act, with a view toward revising its administration.

Can you tell us the status of that study?

Mr. ST. CYR. Begging your indulgence, Mr. Chairman, we have another expert, Ron Glass.

Senator RUDMAN. Your position?

Mr. GLASS. I'm the chief of the Division of Employee Protection.

The DOL-DOT task force has raised a number of legal and economic issues with the Solicitor of Labor and with the Assistant Secretary of Policy. They have not yet received answers to those questions.

As soon as answers are received, we expect to prepare a new guideline, which presently is targeted for May.

Senator RUDMAN. So, you do expect some changes in the section 13(c) program?

Mr. GLASS. Yes.

Senator RUDMAN. I wonder, is there some contemplation of transferring the section 13(c) program to the Transportation Department in the belief a more equitable even-handed administration may be achieved?

Mr. GLASS. That is a policy question I am unable to speak to.

Senator RUDMAN. Can you answer that for me, Mr. St. Cyr? Or is that premature?

Mr. ST. CYR. We would like to research that a bit and provide you with a written answer.

[The information follows:]

UMTA SECTION 13(c)

I believe the changes in the 13(c) guidelines which are now under consideration will go a long way toward addressing the concerns which gave rise to the proposal to transfer the section 13(c) program to the Transportation Department. I am unaware of any current proposal within the Department of Labor to achieve such a transfer.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Rudman**. It's starting to resemble a Defense hearing—except you don't all glitter as much—who come over here with a cast of thousands.

Thank you very much.

We will go on to the next subject.

Mr. **St. Cyr**. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

VETERAN'S REEMPLOYMENT RIGHTS

Question: You are requesting $2,572,000 for your Veteran's Reemployment Rights activity in fiscal year 1984, a slight increase over your current budget. On page LMSA-22 of your justifications you show a projected decline in the number of cases processed from 2,159 in 1982 to 1,122 in 1983 and an increase in cases pending in the two years from 838 to 2,066. Can you tell us why?

Answer: Since 1970 the Office of Veteran's Reemployment Rights (OVRR) has operated in Labor-Management Services Administration (LMSA) area offices as part of a joint track with other LMSA field programs, most recently with Labor Management Standards Enforcement (LMSE). The 1982 cases processed figure of 2,159 represent the actual number of cases processed using total LMSA investigative staff. The 1983 estimate of 1,122 is the projected number of cases processed using only VRR resources. In view of those projections LMSA estimated an increased case pending figure from 838 at the end of fiscal year 1982 to 2,066 at the end of 1983.

Question: What was the average length of time it took you to dispose of a Veteran's reemployment complaint in 1982 and what are your estimates for 1983 and 1984?

Answer: The average length of time (lapse time) that it took VRR to process a case in fiscal year 1982 was 103.1 days. In 1983, we are estimating about the same lapse time, approximately three months. First quarter reports show that lapse time was running 96 days. In 1984, the first year under the Assistant Secretary for Vetran Employment (ASVE), the ASVE plans to make reduction of lapse time a major priortity. However, the ASVE has not as yet established a reduction goal.

LABOR-MANAGEMENT RELATIONS SERVICES

Question: You are requesting a budget of $4,028,000 in FY 1984 for Labor-Management Relations Services -- an increase of 10 positions and 32 percent in funding. How much of the total do you intend to spend on research, both in-house and contract?

Answer: In FY 1984, $331,000 will be spent for in-house research and $250,000 for contract research.

Question: How does this compare to the amount currently being spent on research and the amount obligated to FY 1982?

Answer: In FY 1983, $350,000 is being spent on in-house reseach and nothing on contract research. In FY 1982, $333,000 was spent on in-house research and nothing on contract research.

Question: The ten additional positions you are requesting together with an increase of $926,000 will be used to "initiate a national effort to improve productivity and the quality of working life. If we provide the funds, how will you measure the success or failure of this new initiative?

Answer: The requested funds will be used to provide the informational underpinnings to encourage and assist labor and management to work together cooperatively to improve productivity and the quality of work life. We will have succeeded to the extent that the parties actually move away from their traditional, adversarial ways and adopt more cooperative relationships for addressing their common interests. Success will require fundamental changes in the ways that authority is exercised in American corporations; it will require fundamental changes in the ways the labor organizations represent their members.

It is not realistic to expect rapid abandonment of models of behavior that have served well for decades even though there is substantial evidence that our environment has changed. We must build for and expect to wait for long-term results. The required changes must be institutionalized if they are to endure.

There are no baseline data from which to measure such changes. Establishing such data would require delay and would be prohibitively expensive. Nor would there be any effective way of determining that change was attributable solely to this program.

We plan to use surrogate measures to the extent that they make sense and that they are readily available. We will measure expressions of program interest and manifest by assistance and information requested, attendance at conferences, etc. We will also maintain close working relationships with regional productivity and Quality of Work Life centers to assure that priority needs continue to be met.

PENSION AND WELFARE BENEFIT PROGRAMS

Question: Your $29,673,000 pension and welfare benefit programs request includes $1.8 million and 45 new positions for the purpose of "increasing the number and quality of investigations of alleged criminal violations and referrals to the Department of Justice." You refer to this as a "policy decision." It will increase your criminal investigations from 4 in 1982 to a projected 93 in 1984. Can you tell us the reason for this dramatic shift in policy?

Answer: The basic enforcement mission of the Department is to protect the interests of participants and beneficiaries. In the past, the Department's responsibility to investigate criminal matters was minimized because of the limited investigative resources and the opinion that the interests of participants and beneficiaries were best protected through civil proceedings. In our opinion, it is necessary to have a balanced enforcement program where major attention is given to cases involving fiduciary duties and prohibited transactions but where criminal violations are also pursued in order for the Department to fulfill its mission under the statute.

In the past when a potential criminal violation was uncovered during the course of a civil investigation, the matter was generally referred to another agency without any regard as to whether criminal prosecution would better protect the interests of participants and beneficiaries. In the future, enforcement decisions as to whether to pursue the case civilly, criminally or both concurrently will be based primarily on the most effective and efficient method to protect the interests of participants and beneficiaries.

In Secretary Donovan's testimony before the Senate Permanent Subcommittee on Investigations on October 28, 1981, he recognized that the Department had been critized in the past for its failure to pursue criminal investigations of employee benefit plans. The Secretary made a commitment that labor investigators will look for all illegal and improper behavior and when evidence of criminal wrongdoing is found, the Department will inform Justice and the matter will be pursued accordingly. We believe that the additional positions requested will enable us to meet this commitment to vigorously pursue any evidence of criminal wrongdoing in the administration of employee benefit plans.

Question: You indicate on page LMSA-26 of your justifications that a part of your pension and welfare benefit increase will be used for contract research. How much are you currently spending on contract research and how much do you plan to spend next year?

Answer: The Pension program has no funds available for contract research in FY 1983. We have requested $750,000 in funds for FY 1984 to finance data collection and evaluation. These funds would be used primarily to develop a comprehensive pension plan data base using detailed information filed by plans with the Department, including the selection, keypunching, editing, tabulation and evaluation of a sample of approximately 20,000 annual reports. If possible, we will also further evaluate either the level of benefits survey data base or the plan description data base.

PENSION INVESTMENTS IN HOUSING

Question: How successful have your efforts been to remove impediments for pension funds to invest in residential mortgages?

Answer: First, let me briefly comment on the nature of "impediments" to pension plan investment in residential mortgages. The Department has taken the position that the prudent man rule, that provision of ERISA which governs the investment conduct of pension plans, does not exclude per se any investment vehicle availble in the marketplace. To the extent investment in residential mortgages is affected at all by ERISA, it is because of existing relationships such as between the investing plan and banks, builders or borrowers. Where these "prohibited transactions" provisions have created technical obstacles to plan investment, the Department has granted exemptive relief. We have provided broad relief to enable plans to acquire, hold, and sell interests in residential mortgage pools and participate in direct mortgage financing arrangements.

Question: Do you feel that legislative changes are necessary to remove any remaining barriers?

Answer: No. The Department's efforts to remove technical obstacles through the administrative exemption process have succeeded in making a wide range of residential mortgage investments available to pension plans. The extent to which this form of investment is adopted by pension plans will be based on their acceptance of mortgages as an appropriate form of investment as determined by the economic forces of the marketplace. The Department will continue to pursue a policy of investment neutrality with respect to the various forms of investment by seeking to ensure an "even playing field" for the advocates of all forms of investment.

Question: What amount of pension funds are currently invested in residential mortgages?

Answer: The Department is not in a position to supply data which could answer this question. We are aware of a recent HUD study which suggested that investment by pension plans in residential mortgages represented approximately 7 percent of assets available for investment in 1981. Because of the various forms this type of investment may take, ranging from direct whole mortgages to government insured mortgage backed securities, precise numbers are difficult to determine. In addition, it should be noted that significant amounts of pension plan assets are invested through insurance companies. Many of the benefits payable under insurance contracts owned by pension plans are funded by insurance company investments in the residential mortgage market.

ENFORCEMENT OF THE LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT

Question: What is the case backlog level in the processing of complaints concerning employer and consultant reporting situations?

Answer: As of January 31, 1983, the backlog of Employer and Consultant cases totaled 91 nationwide.

Question: To what extent have you committed resources for enforcement of the employer and consultant reporting provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA)?

Answer: As outlined in the current fiscal year's strategy document, the program is allocating ten percent of its available production time to handling employer consultant reporting and union reporting activities.

From the passage of the Act in 1959 until 1980, fewer than forty specific complaints were received each year relating to employer and consultant reporting situations and these were fully investigated, with compliance achieved where warranted.

In FY 1980, the number of complaints alleging failure to file by employers and consultants increased approximately by tenfold due to a publicized drive and the referral of complaints by the AFL-CIO. The resulting backlog, as well as increased

AFL-CIO interest in this program, were the major factors behind the decision to provide increased enforcement activity in the employer-consultant area.

Since FY 1981 the level of complaints has declined considerably. For example in FY 1982, only 59 investigations were initiated, a significant decline from the 443 initiated in FY 1980 and 111 initiated in FY 1981.

Question: How is the decision made to limit resources devoted to employer and consultant activities complaints as opposed to union financial audits and other investigation activities?

Answer: Since October 1, 1980 Labor-Management Standards Enforcement (LMSE) has operated in conformance with the LMSE Enforcement Strategy Document which prescribes program priorities and guidelines.

The Enforcement Strategy Document provides specific investigative time allocations for each type of program activity, expressed as a percentage of total production time. Percentages can be revised to reflect changes in program priorities and emphasis as determined by current workload, backlog, the anticipated volume of complaints, staffing levels and/or other program considerations.

For FYs 1983 and 1984 the enforcement strategy is allocating ten percent of available productive resources to handling employer consulting reporting and union reporting activities.

Question: Are the staff resources sufficient to properly enforce LMRDA?

Answer: The Senate Permanent Subcommittee on Investigations, in a report dated September 28, 1978, recognized the program's inadequate staffing for effectively carrying out its responsibility. The Subcommittee, in the same report, strongly recommended that the Secretary of Labor detemine the additional resources needed to effectively enforce the criminal provisions of the LMRDA, and that DOL increase the number of on-site audits of labor organizations.

There is no question that the program's enforcement efforts have been impeded in recent years by declining resources. For example, authorized positions have dropped from 630 in 1975 to under 400 in FY 1982. The number of field investigators has declined 38% in the past ten years. Positions were transferred from the national office to the field to offset some of the lost positions there. Current resources allow an audit of a union with annual receipts exceeding $10,000 only once every 30 years. Many unions have never been audited in the 24 years since passage of the Act.

In FY 1981, there were only 53 staff years available for investigating criminal allegations under the LMRDA, and in FY 1982, only 52 staff years. In both instances the resources were greatly inadequate to carry out our criminal enforcement responsibilities.

Pursuant to the Senate Permanent Subcommittee's report a resource needs analysis was subsequently undertaken and it was determined that a minimum 150 additional positions were needed to conduct audits of labor organizations on a regular 5-10 year frequency basis, and to investigate the increased embezzlement case activity that would be generated from these audits.

Congress approved 75 of the 150 positions for FY 1983. Virtually all the new investigative positions are being directly channeled into two primary enforcement areas: embezzlement investigations and audits. The impact is expected to be quite positive, especially in light of the program's new audit programs, organizational changes, and other enforcement initiatives which have been implemented during the past couple of years. Most importantly it will reduce the frequency level of conducting audits to every 10-15 years.

A request for the second half of the 150 positions is presented in the FY 1984 budget package. These additional 75 positions are also needed to ensure that the program will achieve a more realistic union audit frequency of once in about every 5-10 years and provide a continuing commitment to an effective criminal enforcement program. Without the needed resources, the program will continue to be the center of undue criticism for failure to adequately rid organized labor of corruption and racketeering.

PENSION PLAN REPORTING REQUIREMENTS

Question: With all the reporting requirements imposed on pension plans, what do you do with the information furnished?

Answer: Data from the annual 5500 reports have three main purposes: providing information for making policy determinations regarding the impact of proposed regulations; research activities, such as monitoring and evaluating the impact of ERISA and the operation of private pension plans on the nation's economy and its pension participants; and enforcement operations, including the targeting of employee benefit plans for investigation.

Question: Have you tabulated and/or analyzed statistical data from 1978, 1979, and 1981?

Answer: The 1978 annual 5500 reports have been processed and analyzed. This was the last year that IRS under contract with PWBP edited and processed all of the items for a large sample of the 5500 series forms. At the same time, IRS has provided PWBP with tapes containing more limited information that are used extensively for operational purposes. At the present time, we are in the process of sampling, editing, and processing the information from 540,000 annual reports for the 1979 plan year for analytical purposes. We have received about 50 percent of the 1980 plan year filings on tape from IRS, and limited analysis of those has taken place for operational purposes. We expect to receive the entire 1980 filing within a week and a more complete analysis will begin. The IRS is now processing the 1981 filings.

Question: What trends do the data show?

Answer: A detailed analysis of the data from the 1978 5500 series forms is now being cleared for publication by the Department. Some of the highlights of the analysis are:

496,000 private pension plans covering 52 million active and retired workers filed annual reports in 1978.

The market value of assets held in trust funds by these plans amounted to $377 billion.

Seventy-two percent of all pension plans are of the defined contribution type, with the remaining plans being defined benefit. The vast majority of defined contribution plans are maintained by small employers. The bulk of the plans with 100 or more participants are defined benefit plans.

During the 4-year period 1975-1978, assets of private plans held in trust funds grew at an average annual rate of 13 percent, from $260 billion in 1975 to $377 in 1978. It is projected that the assets of all pension plans - insured and trusteed - will reach $3 trillion in 1995.

LMSA-EXECUTIVE DIRECTION

Question: Your justifications indicate that you plan to review the vulnerability of the Labor-Management Services Administration to fraud, waste and abuse. Isn't this a function that your Inspector General's Office would normally undertake?

Answer: The LMSA vulnerability assessment program is conducted under OMB instructions issued in Circular A-123 and follow-up DOL guidelines. The program is an essential part of the Reform '88 project and implements many of the requirements of the Federal Managers' Financial Integrity Act.

It is not intended to duplicate inspector general functions. It is designed as a continuing management review of internal operations. We anticipate that the inspector general would start with LMSA vulnerability assessment reports as a first step in any investigation in order to avoid duplicating our efforts.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENT OF EDWIN M. JONES, EXECUTIVE DIRECTOR

ACCOMPANIED BY:

LAWRENCE MASLAN, DIRECTOR, OFFICE OF FINANCIAL OPERATIONS
HENRY R. THOMPSON, BUDGET OFFICER

INTRODUCTION OF ASSOCIATES

Senator RUDMAN. We now call on Mr. Edwin M. Jones, Executive Director of the Pension Benefit Guaranty Corporation.

Mr. Jones, you have some other folks going to join you—if you would tell us who they are.

Mr. JONES. Yes, Mr. Chairman.

This is Mr. Maslan, the officer in charge of our budget and financial operations, and Mr. Thompson, who works very closely with him and is involved in the details, should we need them.

And I also have with me Mr. DeHarde, who is the Director of the Office of Program Operations.

Senator RUDMAN. Please be seated.

PREPARED STATEMENT

And you do have a statement which we have, and that entire statement will go into the record.

So, if you might just summarize that for us. It is a fairly brief statement, but if you would summarize it for us, we have a few questions for you, and we have a number of other witnesses this morning.

So, if you would like to proceed with your summary.

[The statement follows:]

STATEMENT OF EDWIN M. JONES

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to present the fiscal year 1984 budget for the Pension Benefit Guaranty Corporation (PBGC).

The PBGC was established under title IV of the Employee Retirement Income Security Act of 1974 (ERISA). It is a self-financing wholly-owned Government corporation charged with guaranteeing the basic benefits of most private defined benefit pension plans. Its major source of revenue is the mandatory premiums collected from over 100,000 pension plans covered by its program. The PBGC receives no appropriations from the Congress.

The amounts and related data in this statement are set forth in further detail in PBGC's fiscal year 1984 budget provided to this subcommittee.

For fiscal year 1984 PBGC's revolving fund revenues are estimated at $118,682,000 which is composed of $92,512,000 from premiums, $26,165,000 in investment income, and $5,000 of other income. It should be noted, however, that based on our projected expenses of $177,900,000, the current $2.60 premium level for single employer plans, will not be sufficient to avoid substantial increases in the PBGC's deficit. Such deficit is expected to be approximately $433.1 million by the end of fiscal year 1983 and is expected to rise to some $492.3 million by the end of fiscal year 1984. We hope to get legislation for an increased premium level for the single employer program approved by the Congress this year.

The fiscal year 1984 budget is divided into three activities: Obligations for benefit payments, financial assistance, and program administration.

The budget includes $129,519,000 to provide for benefit payments to participants and beneficiaries in terminated covered pension plans for fiscal year 1984. This reflects our projection that by the end of fiscal year 1984 PBGC will be responsible for monthly benefit payments of an estimated 83,000 pay status participants and beneficiaries as compared to approximately 73,000 pay status participants and beneficiaries in fiscal year 1983.

The budget also includes $500,000 for the purpose of providing financial assistance payments to covered insolvent multiemployer plans. Under this program, the Multiemployer Pension Plan Amendments Act of 1980 requires the PBGC to provide financial assistance to a multiemployer plan if it is or will become insolvent and unable to pay basic benefits when due.

Obligations for program administration in the amount of $29,130,000 represent an increase of $1,139,000 above the fiscal year 1983 amount. This is primarily the result of increased personnel costs in fiscal year 1984. During the fiscal year 1984 budget year, case processing, litigation and legal services, regulation and program development and management improvements will continue to receive primary emphasis. Although the fiscal year 1984 budget reflects an increase of $1,139,000, it also reflects our plans to operate more efficiently during fiscal year 1984 through improved operating techniques and improved computer systems applications.

That concludes my opening statement Mr. Chairman. I thank you and the members of this committee for allowing the PBGC the opportunity to appear before you today. I will be happy to respond to any questions you may have.

REVOLVING FUND

Mr. JONES. Yes, sir.

As you indicated, the report is fairly brief. And I would point out that the obligational authority relates to the revolving fund of our operations.

In our corporation, we have the revolving fund, which consists of premium income and interest earned on it, which is all invested in Government securities, and the trust fund which is invested in equities, bonds, insurance contracts, et cetera.

In the system of budget accounting, charges to the revolving fund are for obligations incurred pursuant to budgetary authority. Our report is based upon a premium level of $2.60. Our total PBGC deficit on an accrual basis including trust fund figures is expected to increase substantially by the end of 1983, and we are projecting a $492 million figure by the end of the fiscal year 1984 on the $2.60 premium.

Of course, sir, we do hope to get increased premium levels adopted by Congress during this year, if possible, effective this year.

So far as our obligational authority is concerned, it breaks down into the major classifications of benefit payments, amounts which are paid to people; financial assistance, which is amounts paid to buttress multiemployer plans and to allow benefits to be paid under multiemployer plans; and program administration costs.

The first item of obligation for benefit payments is roughly included in 1984 at $130 million. This reflects our projection that by the end of that year we're going to have substantially more participants who will be receiving benefits than now.

At the present time, we are making benefit payments to approximately 55,000 individuals under the single-employer plan, perhaps another 4,000 under the multiemployer plan.

That will be increasing substantially in the coming years. And these figures endeavor to reflect that aspect of it.

The multiemployer plan has thus far taken very little money, and we have not budgeted a large figure for that—only $500,000, compared to $2.8 million last year.

The administrative expenses are up somewhat, $1 million over a $28 million figure. Their level depends on a number of things going on, including certain computer costs. We're looking very carefully at them, Mr. Chairman. But that's our present budget, a $1 million increase.

There is no increase in personnel being requested.

PROPOSED LEGISLATION

Senator Rudman. There have been allegations in the press that the efforts of the corporation to spearhead legislation to the single-employer area failed to produce a bill, that got the support of both business and labor.

Is that allegation essentially so? And if so, what are the obstacles in shoring up the insurance program?

Mr. Jones. Well, I think, Mr. Chairman, the process of getting legislation is not always the easiest in the world. And in terms of getting a consensus of widely disparate individuals on a very complex subject, I think that the effort that was expended last year by a lot of people produced a 95-percent consensus in many respects and that the efforts that were assiduously followed last year, hopefully, will start this year off with a lot of stuff out of the way so that we will get to an appropriate bill faster.

With respect to the obstacles and the problems I think you asked about that we faced, there's been no secret that we are concerned about the fact that employers with limited net worth can automatically transfer unfunded liabilities to us by terminating its plan. And in that event, their liability under the law is only for 30 percent of their net worth.

If their net worth is very limited, then they may be able to shed considerable liabilities almost automatically.

Now, that's a problem which we think should be addressed.

There is a second problem——

POTENTIAL LIABILITY

Senator Rudman. Before you go on to the second problem—that's one of the questions that I had here for you—have you done any assessment as to what the potential liabilities would be if your agency—that's a very hard thing to quantify, I'm sure—but is any estimate made concerning what's out there in terms of these plans?

Mr. Jones. Yes, sir. We have rather detailed studies that have been made. We have studies that reflect the highest risk—the highest exposure to the PBGC in relation to less than 10 companies. We have a list of 25, a list of 100 all with varying degrees of risk to the PBGC.

In very broad terms, one can take less than 10 companies and come to a potential liability of between $1.5 and $2 billion. If we add more companies, we can get above $2 billion. And then, if we go into 100 companies, you may add another $1 to $2 billion, but this does not mean that we expect to receive anything like that amount in claims.

If everything in this country went adversely and if all of those companies terminated their plans, that would be the amount. We'd watch that fairly closely or as closely as we can by watching the business developments through published reports.

And we, in fact, on occasion do ask for a company to come in and visit with us and talk with us about their situation, particularly the high visibility companies that receive a lot of attention in the press.

Senator RUDMAN. Has there been any talk that the law ought to be changed and the corporation assume these liabilities only when the companies, in fact, are truly liquidated, as opposed to when they simply file under the various chapters of bankrupcy?

Mr. JONES. Yes, sir. That was a basic proposal, which has received a great deal of attention with respect to S. 1541. And there will be continued attention paid to that.

It may be that from our viewpoint, without there having been any decision on this matter and no administration position yet enunciated, that there could be another way of handling the termination by having the companies that are terminating plans which are ongoing companies indicate to us that there are substantial difficulties in their continuing in business as ongoing companies, unless they terminate the plan.

And at that time, there may be ways of working out their making payments to us in accordance with the present law that will assure our receiving the amounts that we are entitled to receive under the law at the same time as we assume plan liabilities rather than having to litigate the amounts that we are entitled to get.

So, there is certainly an effort and a belief, we feel, that something along that line could be effective in accomplishing one of the congressional purposes, which is to keep the premiums to the lowest possible level.

INCREASED PREMIUM

Senator RUDMAN. On the question of premiums, taking the worst case scenario, what percentage of your potential liabilities will the proposed hike in premiums cover?

Mr. JONES. The proposed hike in premiums of $6 will cover the following:

Three dollars of the $6 would cover approximately $500 million of claims for the 5 years through 1987, projected to be received ratably per year on a 9-percent slope over that period of time. Two dollars of the premium would retire an earlier projected deficit of $236 million by the end of 1982, calendar year. One dollar would cover estimated administration expenses.

So the $6 would retire—assuming our projections on claims, et cetera, carry through—the entire deficit by the end of 1987.

We, in fact, received approximately $100 million more in claims very near the end of the fiscal year, with a number of large terminations that came to us in late August and September. That resulted in a deficit of $336 million, instead of the $236 million earlier projected.

In order to retire that deficit, with a premium of $6—the retirement period of 5 years will have to be extended to about 9 or 10 years assuming a lot of other things remain the same and our projections all turn out to be true.

Senator RUDMAN. Which they rarely do.

Mr. JONES. You do the best you can on that. Deficit retirement would take longer, because we're retiring over $300 million instead of over $200 million.

Senator RUDMAN. So, really, what you're saying is, in terms of any anticipatory funding potential liability, this new premium really only scratches the surface in terms of the numbers you gave before?

Mr. JONES. Well, it covers $500 million of claims, which is a pretty good——

Senator RUDMAN. That's retrospective, I suppose.

But prospectively, it really doesn't deal with the potential problem that you outlined earlier. Nor am I proposing it should. I'm simply stating that as a fact.

Mr. JONES. That's correct.

We do not, in fact, include any estimate for unprecedentedly large claims of companies that may be forced to terminate their plans. We do not think that there is a case for it to be made in asking for the premium at this time.

ABUSE OF TRANSFERRING LIABILITY

Senator RUDMAN. Obviously, then, if no legislative changes were adopted which reduce the possibility of dumping of those unfunded claims on your corporation, then we're talking about—if we're going to do this thing prospectively, in a kind of sound actuarial basis, very substantial additional premiums, between what you're proposing now.

Mr. JONES. Well, with respect to the abuse of transferring unfunded plan liability from strong companies to weaker companies a resulting loss to us in plan terminations we made some very rough calculations to indicate there might be, in the area of premium cost, a saving of 75 cents if the law is changed. When I say "75 cents," I mean per person—$6 per person per year.

Additional premiums above $6 would, according to our projections, come about only if we get unprecedentedly large claims. And even at that time, there may have to be consideration given, if they are extremely large, to other possible ways of handling of large claim cases such as for some of the companies that are mentioned in the press quite frequently and we all know about.

Senator RUDMAN. Finally, in fiscal year 1983, you received 40 additional staff.

Have all the positions, then, been filled?

NEW STAFF IN 1983

Mr. JONES. We received authority for 40. The OMB budget has allowed that to be put into the financial figures on a pro rata basis over that period of time. We have 14, in fact, now on staff. We have 18 more in the process of advertising, looking at people, screening and complying with all the steps that have to be taken under civil service procedures to protect the rights of employees in the company and people in other staffs.

We have four which have been assigned to an extremely important project that we have initiated this year on developing an integrated financial management and operational system that we think will be of great value to the company on an ongoing basis, that we will really have integrated system for the first time that will enable us to run the company from department to department with complete access to a central operation. And that's four other people. And we are holding four at this moment.

As of now, we are about on schedule on a pro rata basis. We are into it about 5 months, and we've got 18 used so that we may be a little bit ahead at the moment of the OMB projection.

So, I think we're well on schedule. And we should have that all in place by the end of the year.

PBGC STAFFING

Senator RUDMAN. On page 18 of your justification for the Pension Benefit Guaranty Corporation, you state:

> Successful prosecution of major program and fiduciary cases require additional staff time, but results in net savings to the program.

Are you planning substantial increases in your legal staff to be able to prosecute these cases more promptly—a great number of them?

Mr. JONES. Well, within the available 40, we are doing the best we can.

We have allocated slots, and they have been filled completely in the Law Department, the General Counsel's office. We are doing the best we can with the staff.

We have, alone, 131 cases contesting the constitutionality of the Multiemployer Act of 1980, which has taken the staff some time. We are involved directly in about 2 dozen of those cases. But we are doing all we can.

I think all of our departments are not overstaffed by a long shot. We're handling 6,000 terminations a year, and that's a lot of volume.

We end up with perhaps 130 out of those cases which are so-called insufficient cases, Mr. Chairman, which we then take over and operate.

In all of our departments, I think we have very little or no personnel that are not fully occupied.

Senator RUDMAN. I guess my point is that since we're talking about potential future liabilities, talking about incurring further deficits, through no fault of yours, but just——

Mr. JONES. That's right. We take what comes.

Senator RUDMAN. You don't have much control. It may well be that maybe the requests aren't enough.

Mr. JONES. It may be.

Senator RUDMAN. You ought to tell us for the record, in a supplemental statement, if you wish, what you might do if you had *x* numbers of additional investigators, lawyers, how much money, you know, that would save. That might have a very good cost-benefit relationship.

Mr. JONES. It could very well.

We are now hiring people outside. That may cost more in order to get things that must be done done.

Senator RUDMAN. Why don't you supply that for the record.

Mr. JONES. I'll be glad to.

Senator RUDMAN. We would like to look at that.

Thank you very much. We appreciate it.

[The information follows:]

COST BENEFIT OF ADDITONAL STAFF

A responssible reply to this question will entail significant analysis and research and will take considerable time. Such analysis and research is being pursued and a report will be forthcoming as soon as possible.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator RUDMAN. We have some additional questions that we will submit for your response.

Mr. JONES. We will be more than happy to answer them.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

REVOLVING FUND DEFICIT

Question: The Corporation's revolving fund deficit is expected to be $492 million in Fiscal 1984, up from $433 million in Fiscal 1983. In 1981, the deficit was only $130 million.

Would increasing premiums to $6.00 per participant in single employer plans be sufficient to wipe out this deficit in the foreseeable future?

Answer: The sufficiency of the proposed $6.00 annual premium under the single-employer program, as previously approved by the PBGC's Board of Directors and the Administration, rested on various assumptions among which were the following:

1. The $6.00 premium would become effective for plan years commencing on or after January 1, 1983.

2. The PBGC's deficit on December 31, 1982, would be approximately $236 million. $2.00 of the $6.00 premium would be utilized to retire that deficit over a five-year period, - by the end of calendar 1987.

3. Net claims would be received by the PBGC during calendar years 1983 through 1987 at the rate of approximately $100 million per year. $3.00 of the $6.00 premium would be utilized to fund such net claims.

4. Administrative expenses would absorb approximately $1.00 of the $6.00 premium.

The $236 million deficit projection made in May 1982 turned out to be low by about $100 million, caused by the termination of a number of large plans with large unfunded vested liabilities in the latter half of FY82. As a result, the deficit to be retired rose to about $336 million. Accordingly, with a $6.00 premium effective January 1, 1983, of which only $2.00 would be available for deficit retirement, approximately ten years would elapse, rather than five years as noted in point two above, before the deficit could be retired.

If the premium is increased to $6.00, effective for plan years commencing on or after January 1, 1984, the deficit will have grown to a point where the retirement of the deficit will take about 20 years. If the premium is increased to $6 effective for plan years commencing on or after January 1, 1985, the deficit would have grown to the point where the premium would not be sufficient to pay the 10¼% actuarial interest on the deficit. These statements assume that the other assumptions made in the May, 1982 premium study continue to be true.

Thus a $6 premium effective for plan years commencing on or after January 1, 1983 would on the basis of our assumption be sufficient to retire the deficit over a reasonable period .

BORROWING AUTHORITY

Question: Why has the Corporation chosen not to use its $100 million borrowing authority to reduce its deficit?

Answer: To use the borrowing authority would not change the deficit, it would simply increase investments and accounts payable by an equal amount. The Corporation accounts for its assets and liabilities on an accrual basis. Therefore, PBGC's deficit is equal to the difference between the value of PBGC's assets and PBGC's other liabilities, primarily, the present value of future benefit payments.

The Corporation is not short of cash to pay benefits that are currently due. A shortage will occur, however, in future years since our assets are $336 million less than our liabilities. The significance of this is that eventually we will have insufficient assets to pay those deferred liabilities when they become due.

RISK-RELATED PREMIUM

Question: Why should all companies have to pay the same pension insurance premium for each worker, regardless of the fact that some companies obviously pose a much bigger risk than others to the pension guarantee system?

Answer: When ERISA was written, a uniform insurance premium was considered the only feasible premium for a Government mandated program. PBGC is currently in the process of conducting a study of the feasibility of adopting a risk-related premium program. A key question is whether, compared to the current program, a risk-related premium would actually treat plans more equitably and whether the magnitude of any increase in equity would be worth the additional administrative costs to plans and the PBGC. An important concern is the limited amount and quality of plan and sponsor data currently available.

How exposure would be measured is another major issue. The Form 5500 permits a wide variety of actuarial methods for valuing both pension liabilities and assets. To what extent these affect the consistent measure of exposure is being considered. Another concern of the PBGC is the stability of premium income in a risk-related premium program under conditions of changing pension liabilities, resulting from changes in interest rates and asset values.

The PBGC must also assess the risk from a sponsor's inability to fund its pension plans. In the case of most large plans, annual report filings with SEC and debt ratings are generally available. However, the use of financial or debt ratings involve problems with equating the relative risk of sponsors in different industries. Also, small plans do not normally have certified financial statements so that there is a problem with availability and reliability of such information.

Question: How might "risk-related" premiums be imposed without putting an undue burden on "sick" companies or unfairly penalizing small businesses?

Answer: If there is a need to limit the burden on "sick companies", a maximum per participant premium cap could be placed in a risk related premium structure.

Similarly it would appear that a maximum per participant cap could be established for small business companies if it is felt that any risk related premium unfairly penalizes small businesses.

Question: How much more might it cost to administer a risk-related premium system, where your agency would have the complicated job of assessing risk for individual companies?

Answer: As part of its study, the PBGC is in the process of estimating expenses, compared to the current program, that would be incurred under a risk related program. This analysis is not yet completed. Administrative expenses would rise for both the development and the implementation of PBGC regulations, procedures and systems, which would be needed in a risk-related program.

It should be recognized that setting-up and administering a risk-related premium might require the PBGC to maintain rating categories, changing from time to time, based on a variety of factors. The cost of administering a risk-related premium program would vary with the type and complexity of the premium structure. Whatever premium structure is selected, it would require more information from plan sponsors and most likely increase their administrative costs to prepare the forms.

INSUFFICIENT PLAN TERMINATIONS

Question: Can you tell us what your experience has been over the past two or three quarters regarding terminated plans with insufficient funds? Are these on the increase as a percentage of your total universe?

Answer: The number of plans terminating over the last several quarters that are insufficient is as follows:

Quarter ended	No. of Insufficient Plans terminating
12/31/81	35
3/31/82	27
6/30/82	42
9/30/82	54
12/31/82	45

The total number of plans covered by the PBGC remains approximately the same quarter by quarter. The losses experienced by the PBGC due to the terminations were very high during the quarter ending September 30, 1982 due to a few large plan terminations during this period.

Question: Has the average shortfall of terminated plans with insufficient funds increased significantly over the past year?

Answer: Yes. Net claims against the Corporation resulting from plans terminated during FY82 totalled $220,100,000, with an average claim of $2,293,000 per terminated plan. For plans terminated during the prior fiscal year, net claims totalled $75,300,000. Thus, the average claim per plan terminated in FY81 was $617,000 - less than one-third the size of the average claim for FY82.

In fact, the size of claims incurred by the Corporation during FY82 far exceeded the size of claims experienced during any of the Corporation's prior years. For the prior seven years of the programs history, the average net claim per terminated plan was only $451.000.

LIMITATION ON OBLIGATIONS

Question: Why shouldn't we place an annual limitation on the amount that could be obligated by the Pension Benefit Guaranty Corporation as we do for such groups as the Federal Savings and Loan Insurance Corporation?

Answer: We have not had time to familiarize ourselves with how budget limitations do or do not effect operations of the Federal Savings and Loan Insurance Corporation. We know of no business reason to place an additional burden on the PBGC's operations. We have always worked within our budget limitations. The limitation would mean that in addition to PBGC's continuing to submit a reapportionment to OMB for additional obligating authority needed to meet unexpected large increases in benefit payments and to pay benefits on an uninterrupted and timely basis, PBGC would also have to go through the supplemental appropriation process in the Congress. In addition, if the need for funds or market conditions dictate the sale of bonds at a loss, the PBGC would need to go to Congress rather than only to OMB to take the market action.

Such need for additional obligating authority could arise as a result of extraordinary plan termination activity that could not be handled timely or effectively with existing obligating authority. Under current procedures an annual limitation is already being placed on the amount PBGC can obligate by OMB through the apportionment process. If the need for additional obligating authority for benefits or administrative expenses arose under the current procedures, we would submit a reapportionment request directly to OMB.

In short, a serious question would arise whether the PBGC could effectively and timely administer its program as mandated by law.

Question: If we were to place a limitation on Pension Benefit Guaranty Corporation obligations, what figure would you recommend?

Answer: If a limitation were placed on the PBGC, we would be obligated to recommend the amounts approved by OMB and contained in our FY 1984 budget. However, if Congress were to decide to place such a limit, it would be incumbent upon us to review the entire matter with OMB before coming up with a recommendation.

Question: Why shouldn't we at least place a ceiling on Pension Benefit Guaranty Corporation program administration costs?

Answer: As stated above, PBGC would have to go through the supplemental appropriations process if the need for additional obligating authority for administrative costs arose. Such need for additional obligating authority could arise as a result of extraordinary plan terminations activity that could not be handled timely or effectively with existing obligating authority. Under current procedures, an annual limitation is already being placed on the amount PBGC can obligate by OMB through the apportionment process. However, if the need for additional obligating authority arose under the current procedures, we could submit a reapportionment request directly to OMB which would reduce the amount of time involved in obtaining the authority to obligate additional resources and allow us to satisfy our obligations in a timely manner and safeguard assets.

The PBGC has always worked within budgetary limitations imposed upon it by OMB and reviewed by the Congress. The process has not shown a need for additional controls.

EMPLOYMENT STANDARDS ADMINISTRATION

STATEMENT OF ROBERT B. COLLYER, DEPUTY UNDER SECRETARY

ACCOMPANIED BY:

LAWRENCE W. ROGERS, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION, AND PLANNING

KAREN S. SEVERN, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT

INTRODUCTION OF ASSOCIATES

Senator RUDMAN. Our next area, the Employment Standards Administration. Mr. Robert Collyer, the Deputy Under Secretary.

Mr. Collyer, if you would introduce your associates at the table.

Mr. COLLYER. Yes, sir. Good morning, Mr. Chairman. Mr. Lawrence Rogers, on my right, is my administrative officer; and Karen Severn, on my left, is my budget officer. And I am the Deputy Under Secretary.

Senator RUDMAN. Mr. Collyer, you have a statement which we have.

Mr. COLLYER. Right.

PREPARED STATEMENT

Senator RUDMAN. We will put the entire statement in the record. If you will summarize it for us, we have a few questions for you.

[The statement follows:]

STATEMENT OF ROBERT B. COLLYER

Mr. Chairman and Members of the Subcommittee, I am glad to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1984 budget request for Salaries and Expenses is for $208,164,000 and 4,239 positions. This represents an increase of $12,390,000 over the FY 1983 funding level. This amount reflects both mandatory increases because of higher operating costs, the continuation of a program to automate the Workers' Compensation claims processing procedures, and a program decrease of $443,000 related to a decline in new claims filed under the Black Lung Benefits Act and Revenue Amendments of 1981.

The Special Benefits Fund request for FY 1984 is for $1,036,100,000 of which $215,100,000 is a direct appropriation to the Department of Labor and $821,000,000 represents reimbursements from other agencies' appropriations or revenues.

The FY 1984 Black Lung Disability Trust Fund request is for $707,000,000.

ESA is also requesting a FY 1983 Supplemental Appropriation of $4,785,000 to absorb part of the costs related to the October 1982 pay raise for Federal employees, and a FY 1983 Supplemental Appropriation of $54,000,000 for the Black Lung Disability Trust Fund to provide for increased medical and income benefits.

Before I discuss the details of the FY 1984 budget request, I'd like to describe the overall philosophy upon which the budget request is based. In FY 1984, ESA will continue the priorities set forth in FY 1982 and in FY 1983. Primary emphasis will be placed on the improvement of the administration of the Federal Employees' Compensation (FECA) and Longshore and Harbor Workers' Compensation programs. Accordingly, the FECA program staffing will increase by 25 positions to consolidate recent improvements in claimant services and to tighten controls over outlays. The Wage and Hour Division and the Office of Federal Contract Compliance Programs will continue at the staffing levels established in FY 1983. The productivity in these activities has improved in FY 1983 and we expect continued improvements for FY 1984 as well, as we maintain our emphasis on fostering voluntary compliance. The staffing level in the Black Lung program will decline by 25 positions in response to a reduction of new claims workload.

To contain costs, a greater emphasis has been placed on preventing waste, fraud, and abuse. ESA programs are studying office and space consolidation in FY 1983 which should result in less space use and lower costs in FY 1984. ESA will also continue to invest in ADP development and the on-going preparation for an ESA-wide ADP support system. The FY 1983 ADP budget contained a five-year plan to integrate all of the ESA programs into a common system to provide managers and staff with the capacity to track cases or claims, and to provide management information on caseloads.

The pilot project to test the feasibility of utilizing Wage and Hour and OFCCP compliance officers in the Federal Employees'

Compensation Program, conducted during FY 1982, will be continued in FY 1983 and FY 1984. Under this pilot project, FECA claimants are contacted to confirm their continued eligibility for benefits. The project has shown some success in uncovering unwarranted claims, with only a small amount of time, (10 staff-years nationwide) used. If the project proves cost effective, we will propose permanent funding for it in FY 1985.

Enforcement of Wage and Hour Standards

A total of $72,669,000 and 1,471 positions is requested for the Wage and Hour Division. This level will permit continuity of the level of program activity achieved in FY 1983 as well as some increase due to a rise in productivity. The Special Targeted Enforcement Program (STEP), directed at employers and industries suspected of hiring illegal aliens at substandard wages, will be continued at the FY 1983 level.

In the Fair Labor Standards Act Program, we will continue to concentrate on workers in low wage industries. A total of 78,000 investigations, including 13,000 STEP investigations, will be completed. In the Government Contract Wage Standards program, about 4,700 investigations will be completed.

Effective April 14, 1983, the Migrant and Seasonal Agricultural Worker Protection Act (MSPA) will repeal and replace the Farm Labor Contractor Registration Act (FLCRA). MSPA continues the existing requirement that farm labor contractors register with the Department. It clearly defines the responsibilities and obligations of agricultural employers, agricultural associations, and farm labor contractors to assure that migrant and seasonal agricultural workers receive important protections concerning housing, transportation, and notice of wages and working conditions. It also removes unnecessary regulatory burdens on growers, processors, and other fixed situs agricultural employers, which will no longer be required to register as farm labor contrators. A total of 4,600 MSPA investigations will be completed in FY 1984.

The Wage and Hour Management Information System (WHMIS), an automated case tracking and statistical information sytem, will be fully implemented nationwide during FY 1984. This system will improve operations by providing more timely field enforcement data and will make for greater program accountability and productivity.

Federal Contractor EEO Standards Enforcement

A total of $47,393,000 and 979 positions is requested for activities which enforce statutes and an Executive Order prohibiting employment discrimination by Federal contractors on the basis of race, color, sex, religion, national origin, handicapped or veterans status.

As I stated to the Committee last year, this Administration is dedicated to assuring that equal employment opportunity and affirmative action obligations are met by Government contractors. The budget request reflects a continuation of the FY 1983 staff level. It is expected that this level will permit increases in program outputs due to improved procedures and anticipated regulatory changes, as well as continued management improvements, and better defined supervisory performance standards.

The number of compliance reviews to be conducted is 5,010, a 35 percent increase over FY 1983. This accomplishment level reflects productivity gains expected to be realized from training, regulatory changes decreasing paperwork burdens and increasing the flexibility of the compliance process, and management initiatives being undertaken in automated data processing support.

A number of Liaison Groups were formed by a broad spectrum of industry and constituency groups interested in the compliance process. The groups are interested in promoting greater affirmative action efforts by contractors and a better understanding of the equal employment opportunity laws by all members of the public. While OFCCP does not sponsor these groups, the agency does attend meetings if invited, and they have been helpful in bringing about compliance with our regulations. Although formation of such groups is voluntary and comes about at the initiation of the public, our current experience leads us to forecast that 200 such groups will have been formed by the end of FY 1984.

Federal Programs for Workers' Compensation

In the Workers' Compensation Programs, we are committed to ensure that the interest of both eligible claimants and the Federal government are protected throughout all stages of processing and adjudicating claims for compensation, medical, and other benefits provided by the various programs. Improvement in claimant service as well as reducing costs and vulnerability to fraud, waste, and abuse remain top priorities.

Federal Employees' Compensation Act

A total of $45,452,000 and 928 positions is requested to manage the Federal Employees' Compensation Act Program for FY 1984. This represents an increase of 25 positions over the FY 1983 level and will be financed within the original base level. In FY 1984, production and performance are expected to increase over FY 1983 levels; incoming workloads are also expected to increase. During FY 1983, we expect to implement the first nationwide fee schedule for FECA medical costs, and continue to improve its use in FY 1984.

The new Level II ADP system, fully integrating functions currently performed through several separate software subsystems, will go on-line in FY 1984. The proposed increase in positions will allow us to consolidate recent improvements in quality service and to expand gains made in control over disbursements. More resources will be devoted to such activities as improvements of FECA oversight and audit capacity, the collection of debts, the early referral of rehabilitation cases, and broadened inter-agency management initiatives.

The Administration continues to support FECA reform legislation to modify the benefit structure and make other improvements in the Act.

Longshoremen's and Harbor Workers' Compensation Program

In FY 1984, we are requesting 157 positions and $7,141,000 for the administration of the Longshore and Harbor Workers' Act program (LHWCA). The request will enable the program to continue its program priorities of timely and accurate adjudication of claims, the close monitoring of compensation payments, and the prompt rehabilitation of injured workers. Improvement in the timely processing of cases and in the overall quality of work performed are expected to result from the implementation of a Longshore ADP case management system in all District Offices in FY 1984.

Amendments to the LHWCA may be enacted during this session of Congress, which would modify the benefit structure, and reduce coverage and cost-of-living increases.

Black Lung Program

ESA is requesting 456 positions and $20,899,000 to manage the Black Lung program in FY 1984 reflecting a decrease of 25 positions from the FY 1983 level.

Claim filings declined in late FY 1982 and early FY 1983 because the Black Lung Benefits and Revenue Amendments of 1981 tightened the eligibility requirements for disability compensation due to pneumoconiosis. This, together with the generally diminished population of eligible miners, resulted in a decrease in workload which will be constant at about 10,000 new claims each year for at least the next two years.

Agency recommendations concerning the need, if any, for further amendments to the Black Lung Act will be based on the two studies mandated by the 1981 Amendments, which will be submitted to Congress by July 1983.

Executive Direction and Suppport Services

A total of $14,610,000 and 248 positions is being requested for Executive Direction and Support Services. There is an increase of one position transferred to ESA from Departmental Management as a result of the decentralization of certain payroll functions.

ESA is developing closer coordination and cooperation with State governments and the effort to coordinate similiar, State and Federal functions will remain a high priority. State agencies will continue to be provided with technical assistance as State Workers' Compensation laws and administration undergo voluntary improvements and address emerging needs.

Research activities in FY 1984 will mainly be done on an in-house basis. The objectives in the research area will continue to be the formulation of data and analyses necessary to support policy and program decisions in each of ESA's program areas.

The elimination of waste, fraud, and mismanagement will, of course remain a priority program. ESA's Internal Control Unit will continue to examine all programs to detect and correct areas where waste, fraud, and abuse occur.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our best judgements concerning the proper balance between program needs and the need to reduce costs. My staff and I will be pleased to answer any questions which either you or members of the Subcommittee might have.

BUDGET REQUEST

Mr. COLLYER. Thank you. I will be very brief. The Employment Standards Administration is a billion dollar agency. We are asking for two funding supplementals for 1983, one, a $4.7 million supplemental for the October pay increase, and the second, a $54 million supplemental for the black lung benefits program to cover a shortfall in revenues from decreased coal production this year.

Our 1984 request is virtually for current services, salary and expense increase of $12 million—representing only 6 percent for mandatory increases. Our employment situation is virtually stable. We will increase by one position. That is strictly on intradepartmental transfer, as a result of the decentralization of certain payroll functions; so we are at a steady state and we think we have the resources to do the job.

Senator RUDMAN. All right, sir. In 1983, you estimate that you will turn back to the Treasury more than one-third of the amount we appropriated for special benefits, about $117.6 million, because of a reestimate of fiscal year 1983 requirements based on changes in program costs and a new forecasting model.

Can you tell us why the initial estimate was so wide of the mark?

Mr. COLLYER. Well, the Federal Employees' Compensation Act is the program that occasioned that lapse. It had been a paper and pencil operation until recently. We now have the program on computers and our numbers are sharper, our projections are sharper. We also have an active program to combat waste, fraud, and abuse in that program, and other programs. We think that the number of people we have actually been able to locate that are receiving benefits under the program and who are not entitled to them because they are able to work, and also signed affidavits that they are disabled, that number is not too high. Nevertheless, we have saved over $21 million in annual benefits through an annual review of all cases on the long-term disability and death rolls.

The publicity of this crusade to eliminate fraud, waste, and abuse has caused, in my opinion, a reduction in the number of incoming injury reports. We used to get 200,000 injury reports a year. It is down to about 180,000 now, although we expect that to go up next year.

Mr. ROGERS. I would just like to say generally that for each of the reports we get from the GAO and the Inspector General, we have a process by which we implement the recommendations. We have a followup system. We have an internal control unit and they systematically review each recommendation, with followup, so that each one of the recommendations is implemented.

The difficulty I have with your question is there are so many.

Senator RUDMAN. We'll give you a specific reference on that.

Turning to the black lung program just for a moment, there have been some staff reductions in that program. You have indicated more emphasis is going to be placed on maintenance, specifically in terms of staff-years. How much effort is the Department intending to devote to insuring that beneficiaries receive only the benefits to which they are entitled?

Mr. COLLYER. Well, that's part of the waste, fraud, and abuse program. We are monitoring these claims very closely. The black lung program is beginning to wind down. We expect within the next 2 years to receive only 10,000 claims per year. It's converting itself into strictly a payment program rather than a claims adjudication program, so we can spend more time on the claims that do come in. We expect the approval rate to be quite low, maybe 4 percent, based on the amendments made to the act in 1981. It will be very easy.

Senator RUDMAN. All right. In July of last year, the District Court for the District of Columbia issued a preliminary injunction which you are familiar with, blocking the Department of Labor's implementation of regulations to improve administration of the Davis-Bacon Act and other statutes.

What is the status of that suit today?

Mr. COLLYER. It's on appeal at the present time. The district court ruled in December 1982. We were upheld on the elimination of the 30-percent rule but lost on four other issues. If we decided to implement the court's decision on the 30-percent rule, an injunction would probably be sought by the building trades and the court might well stay our actions pending the Appeals Court decision on the other four issues which the district court ruled against us.

Senator RUDMAN. You estimate, I believe, a savings of about $600 million in the Federal construction costs.

Mr. COLLYER. $585 million. We are anxious to make those changes.

Senator RUDMAN. Further on Davis-Bacon, making the prevailing wage determinations have required a very complex and time-consuming process. Has that been fully computerized right now?

Mr. COLLYER. Davis-Bacon has not been fully computerized. It is something we're working toward in our overall ESA 5-year ADP development program. We are in our second year. In 1984, we're asking about $6 million in development funds.

Senator RUDMAN. You have a cost estimate of what it's going to cost for this 5-year program?

Mr. COLLYER. The total is $17 million in 1983, in terms of operation plus development, of which $6 million is development. In 1984, the cost estimate is $20 million, of which, again, $6 million is for development.

Senator RUDMAN. Can you give me the other 3 years?

Mr. ROGERS. Yes; the outyear projections are $15 million for 1985, $13.7 million for 1986, and $13.8 million for 1987.

Senator RUDMAN. That includes operations as well?

Mr. ROGERS. That is correct. That's the total ADP cost. We are experiencing a surge in costs while we procure new hardware systems, and then we expect that in the outyears the level will come down to just about what our operating costs are now, but with much better equipment to make the program function.

Senator RUDMAN. All right. In the past year, the Employment Standards Administration's Office of Worker's Compensation Programs has devoted considerable efforts to developing schedules of reasonable fees for medical services provided under the Federal employees compensation and black lung programs.

What is the status of those efforts?

Mr. COLLYER. That's an enormous project we have underway. We are in the testing phase right now, where we will put our model in place and test it against the actual fees that we have been paying in the past with our own monitoring.

We are using the fee schedule that was developed in Washington State. The Washington State worker's compensation system is a monopolistic State fund, exclusive State fund, similar to our fee operation, and the fee schedule they use is a unit value, relative value schedule, if you will. This enables you to vary the fee by any local unit you want—SMSA or employment area—and we are going to try to do that nationwide. It's a very complicated thing to do, but we think that we will probably be fully operational by October.

Senator RUDMAN. What kind of problems are you having with the medical profession?

Mr. COLLYER. We found some doctors that aren't as honest as we would hope they would be in their billings, and we are really concentrating on the medical fraud. We have instituted a system whereby we test the actual treatment received by claimants by sending forms and having them confirm whether the doctor actually made the visit and whether or not they received the treatment.

Senator RUDMAN. The reason I asked the question is because, as you probably are aware, last year the President's Subcommittee on Investigations, of which I am vice chairman, had extensive hearings in the area, which I am sure you are aware of, and the evidence adduced at these hearings was startling, to say the least. Obviously, your computerization effort should—not eliminate, but certainly reduce an enormous amount of abuse and fraud.

Mr. COLLYER. Right. A tremendous amount.

Senator RUDMAN. Has any promise been made in reducing the pending case inventory under FECA and improving the speed with which FECA benefits are delivered?

Mr. COLLYER. Yes; I think the FECA program is now under control.

Senator RUDMAN. I am glad to hear of something in the Federal Government that is under control. This is the first time I have heard that.

Mr. COLLYER. I had been a critic of that program for about 10 years, and I think now we have a handle on it. We hope to have proposed legislation for you to pass on during this year. We think we have a first-class program, and I think with our ADP system we will be able to adjudicate these cases in very short order. Right now, we are adjudicating within 45 days, I think, 85 percent of the cases on traumatic injury, and that's pretty good.

Senator RUDMAN. What steps have you taken administratively to curb overuse of the COP?

Mr. COLLYER. The continuation-of-pay provisions today in the current law is one of the problems in the system. Claimants receive their regular pay for 45 days. Then they serve a 3-day waiting period, which doesn't make a lot of sense, and then they go to the compensation rolls. A GS-15 in the Washington, D.C., area, married, would receive, using the highest net check we can come up with, a benefit in excess of their take-home pay by about $245 a week. It makes rehabilitation efforts very difficult.

Senator RUDMAN. I would say that. What are you doing to address that?

Mr. COLLYER. We are proposing legislation to change the law.

Senator RUDMAN. That's the only thing?

Mr. COLLYER. Yes, sir.

Senator RUDMAN. So we are going to have to change that.

Mr. COLLYER. Yes.

Senator RUDMAN. What are those numbers again—the actual numbers? What is the highest check?

Mr. COLLYER. I'm doing it off the top of my head.

Senator RUDMAN. Why don't you supply it for the record.

Mr. COLLYER. I think I had better do it for the record. Fine.

[The information follows:]

Since take-home pay is a function of each individual's tax situation, it is difficult to provide an absolute dollar amount that represents the highest differential between take-home pay and disability benefits. However, a GS-15 employee at the top of his/her salary range (which represents the maximum compensable income), with four exemptions and itemized deductions based on an IRS profile, would receive benefits that exceed his/her take-home pay by about $245 weekly.

		Income tax				
	Gross salary	Federal	District of Columbia	Retirement	Medical	Net income
Standard deductions	$1,214	$311	$137	$85	$16	$665
Benefit payments (75 percent of gross salary)						910

ENFORCEMENT OF FARM LABOR CONTRACTOR REGISTRATION ACT

Senator RUDMAN. Finally, one other series of questions. Do you agree that enforcement of the Farm Labor Contractor Registration Act has been impeded by a shortage of enforcement personnel?

Mr. COLLYER. No; I don't think so. As you know, we changed that. We rewrote the law and the new law goes into effect on April 14, the Migrant and Seasonal Agricultural Workers Protection Act, and we think we have enough enforcement personnel.

We have a total of 929 compliance officer positions in wage and hour and that are all trained in that activity, including 20 farm labor specialist positions, and so we think we are in good shape, plus we coordinate with the State enforcement people and are working in cooperation with them. Some of the States are thinking about adopting the provisions of this law into their farm labor laws.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator RUDMAN. All right. We have a number of other questions. The record will be open for 5 days. You can supply those for us along with some of the other specifics.

Thank you very much.

Mr. COLLYER. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BLACK LUNG PAYMENTS

Question: Although you reduced your black lung claims inventory to 4,500 claims in 1982 from roughly 9,000 claims in 1981, your claims inventory will go right back up again to 8,050 in 1983. What does this mean to the average beneficiary? How much longer will he have to wait for a claim determination in 1983 than he did in 1982?

Answer: Most entitled claimants in FY 1983 can expect additional delays of approximately 30 days in the processing of their claims when compared to current processing times. Of the 11,000 claims expected to be received in FY 1983, only 440 are anticipated to be approved and placed in payment status. This is because of the generally tightened eligibility requirements imposed by the 1981 Amendments to the Act.

This temporary processing delay is essential so that the program can shift emphasis from initial adjudication of claims to fiscal control and maintenance of a relatively stable caseload. Claims inventory is expected to return to an acceptable level of processing in FY 1984.

ENFORCEMENT OF WAGE AND HOUR STANDARDS

Question: I notice you project a slight deterioration in the enforcement of the Fair Labor Standards Act by the Employment Standards Administration. I refer to the table on page ESA-17 of your justifications. It shows that only 83 percent of employees underpaid in 1984 will receive payment as compared to 85.4 percent in 1982. Why can't you improve your record in this area rather than letting it slide?

Answer: The apparent reduction resulted from the rounding of the workload estimates for 1983 and 1984. We do not believe there will be any reduction in the percentage of employees found underpaid to whom employers agree to pay back wages. In fact, this ratio had been steadily improving in recent years. In FY 1980, employers agreed to pay back wages to 76 percent of the employees found underpaid, compared with 83 percent in FY 1981 and 85 percent in FY 1982. We fully expect this positive trend to continue.

Question: Although the staffing of your wage-hour standards effort will remain constant in 1984, "space utilities, and other rentals" are scheduled to decline by $194,000. Why is that?

Answer: Starting in FY 1982, ESA mounted a major and ongoing effort to reduce its space and related costs. Initially this effort was focused on reducing space in line with staff reductions; subsequently, the project was broadened in anticipation of the government-wide initiative to reduce the allocation of space per employee. By the end of FY 1984, we have projected a reduction of 35,583 square feet in Wage-Hour office space compared to our holdings as of the end of FY 1982. This reduction is being accomplished through consolidation of multiple offices within metropolitan areas as well as the paring down of space in offices found to be too large. Although these reductions will be offset to some extent by increased cost per square foot, the consolidation effort will be sufficient to account for the projected decrease in space and related costs.

FEDERAL CONTRACTOR EEO STANDARDS ENFORCEMENT

Question: One of your tools for enforcing statutes and executive orders prohibiting employment discrimination by Federal contractors is the removal of a contractor from eligibility to compete for Federal contracts and suspension or termination of current contracts. How many times have you used these sanctions in each of the last four fiscal years?

Answer: Debarment of a contractor is a most serious step which OFCCP has historically tried to avoid and uses only as a last resort, as it is counter-productive in terms of achieving expanded job and promotion opportunities for covered workers. Indeed, debarment of a contractor should be sought only after all conciliation efforts have failed. It is far preferable to conciliate with contractors and obtain agreement from them for remedial action which will increase job and promotion opportunities. There were no debarments in FY 1982, one in FY 1981, five in FY 1980, and three in FY 1979.

Question: You indicate on page ESA-25 of your justifications that over $7.3 million in employment discrimination financial settlements were obtained in 1982. What estimates do you project for such settlements in fiscal years 1983 and 1984?

Answer: Because of the widely varying provisions and amounts of individual financial settlements with contractors, no estimate can be made with any precision as to how many settlements will occur, or what future amounts may be. One or a few large settlements, or lack thereof, could drastically distort any estimate which could be made. OFCCP therefore does not attempt to project future financial settlements. Over the past four fiscal years, total financial settlements have been as follows:

	FY 1979	FY 1980	FY 1981	FY 1982
Total Financial Settlements (in millions)	$9.2	$16.2	$8.0	$7.3

WAGE-HOUR VS. EEO

Question: Despite the fact that your Wage and Hour standards division employs about 50 percent more Federal workers than your EEO standards program, your EEO personnel will receive $616,000 for within-grade promotions in 1984 as compared to $200,000 for wage-hour employees. Can you explain this discrepancy?

Answer: The Wage and Hour Division is an older more established program in the Employment Standards Administration. The majority of the Division's employees have reached the higher steps in their grades and are eligible for within-grade increases less frequently (every two to three years). The EEO Standards program, established in ESA since the Reorganization in 1978, is comprised of a large majority of employees at the lower steps of the grade structure. These employees are eligible for within-grade increases on a yearly basis. As a result, a greater number of EEO personnel will be receiving within-grade promotions in FY 1984, at a higher cost, than the Wage and Hour personnel.

FEDERAL EMPLOYEES' COMPENSATION ACT

Question: You indicate on page ESA-28 of your justification that 85 percent of traumatic cases under the Federal Employees' Compensation Program will be processed within 45 days of receipt in fiscal year 1984. Can you tell us how long it currently takes to process a case on the average?

Answer: For calendar year 1982 (which includes the first quarter, FY 1983), 87.6 percent of traumatic cases were processed (receipt to adjudication) within 45 days, and the average processing time for all traumatic cases was approximately 33 days. For non-traumatic cases, nearly 68 percent of the cases were processed within ten months, with an average processing time of approximately 100 days for the cases processed within 10 months. The remaining 32 percent took over ten months to process.

For the first quarter of FY 1983, 86.9 percent of all traumatic cases were processed within 45 days, and 95 percent within 120 days. Of the non-traumatic cases, 58.7 percent were processed within six months, and 72.3 percent were processed within ten months.

Question: You state on page ESA-29 that Federal Employees' Compensation Act cases will be out-of-file for longer periods of time in 1983. Does this mean that your average processing time will increase this year?

Answer: No, this estimate did not reflect an expectation that case-processing times would increase. It was initially anticipated that the medical fee schedule and other cost-containment measures introduced into the medical bill payment process would require longer out-of-file times for case folders. However, we also expect some savings in this area since, when all new measures are in place, bills which cannot be paid will be intercepted earlier, and will not undergo full processing action, which requires the use of the case folder.

Question: I understand that a majority of state workers' compensation laws require the first payment to be made within 15 days of notification to the employer of death or disability. Why can't the Federal government meet that standard?

Answer: One of the problems the Federal Employees' Compensation Program (FEC) continually faces is the delay in receiving the reports of injury from the employing agencies. In calendar year 1982, only 34.6 percent of all traumatic injury reports were received by FEC within 14 days of the injury, and nearly 37 percent of the reports took over 30 days to reach FEC from the date of injury. That is not to say that improvement cannot be made in FEC's own performance and we have improved our case processing and bill processing times significantly in recent years.

We now have an intensive inter-agency program of training and technical assistance to improve the processing of claims. Furthermore, substantial improvements are occuring in agencies' understanding of their role in the FEC process.

WORKERS COMPENSATION -ADP

Question: You plan to install a replacement ADP system for your Workers' Compensation programs in 1984. How much will this new system cost in the coming year and what are its life-cycle costs?

Answer: Estimated life-cycle costs for the Level II Federal Employees' Compensation System, which provides the framework for a uniform OWCP and ESA automated data processing network, are $51 million over 96 months. During FY 1983, we have budgeted $4.391 million for initial development efforts; in FY 1984, we have budgeted $5.471 million for completion of the development and initial installation of the new system.

Question: Have you performed a cost-benefit analysis of this new system? If so, please provide a summary for the record.

Answer: Yes, we have performed cost and benefit analyses of the new system. The estimated costs for continuing with the current Level I Federal Employees' Compensation System (FECS) through the next eight years are equivalent to the projected cost for replacement with the Level II FECS since so much of the design work is now behind us.

The benefits analysis which was performed focused on projected benefits outlay savings or cost avoidances realized as a result of the operational and system improvements incorporated in the Level II FECS design. These savings/cost avoidances in projected benefit outlays amount to several millions of dollars.

Based on these analyses, completed in 1981 and 1982, it is apparent that the long-term mission of OWCP and ESA would best be served by proceeding with current data processing development plans and the acquisition of the Level II FECS. It is not insignificant that this position has been consistently supported by all the external audit groups that have reviewed these systems and operations, including the OIG, the GAO, several Congressional Committees, and the President's Council on Integrity and Efficiency.

Copies of these analyses are available should the Committee require further information.

Question: Was your replacement ADP system contracted for through competitive bids?

Answer: The Level II Federal Employees Compensation System (FECS) is to be developed and implemented under a contract resulting from a competitive procurement which is to be awarded during FY 1983.

WORKERS'COMPENSATION - FRAUD AND ABUSE

Question: Your Inspector General's Office has been very critical of the amount of fraud and abuse that has been occuring in the Office of Workers' Compensation Programs (OWCP). In a preface to his September 30, 1982 report, the Acting Inspector General states:

> " The nature and extent of fraud uncovered by OIG in this reporting period alone dramatizes the seriousness of continuing control weaknesses in OWCP programs."

In the body of the report the following statement is made about financial management problems:

> " Collectively, also individually, these reports are evidence of systemic problems in OWCP's financial management systems and practices and they reaffirm many of the identical problems identified during three previous loss vulnerability assessments of FECA District Offices and the Black Lung benefit payment systems and operations."

Can you tell us what steps you are taking to get a handle on these problems? Also provide for the record your response to each of the Inspector General's findings and recommendations in this area as well as your timetable for implementating each recommendation that you have endorsed.

Answer: As was acknowledged by the Office of Inspector General in the September 30, 1982 report, the program was aware of many of the problems reported. ESA's Internal Control Unit is working with the FECA and Black Lung programs in addressing all problem areas outlined in the report.

The following steps have been taken in the FECA program to resolve the internal control weaknesses discussed in the Inspector General report.

Medical Provider Fraud

Beginning in August 1982, the FEC program began to require that medical bills, except those from hospitals and pharmacies, be submitted on the American Medical Association Health Insurance Claim Form, a copy of which is enclosed with our instruction sheet. This form, in addition to containing all needed information in a standard and explicit format, requires the signature of the physician or other provider certifying that services were performed as described on the form. Providers are encouraged, and will eventually be required, to identify procedures using the Physician's Current Procedural Terminology code, a very precise coding system. This requirement will occur about six months after the fee schedule goes into effect, on or after October 1, 1983. This provides the program with needed accountability, should a question arise about the validity of the billing submitted. The claimant's signature is also required, certifying that he or she received the services described.

The American Hospital Association recently adopted a standard form which contains a space for signature by someone in authority to certify that services were rendered, and we have asked the Office of

Management and Budget for clearance to adopt this form. We have not received any indication from OMB as to when the form will be cleared.

Also within the last few months, the CA-91 (Medical Payment Verification Report) became a regular feature of our security program. This report is generated from the computer history records for each claimant's case, and lists, by physician, date of service, and amount, all payments made during the quarter on behalf of the claimant. Claimants are asked to write the National Office if payments are listed for services of which they have no record, and steps are taken to verify any unexplained charges.

Claimant Fraud

Computer Matching-The Division of Federal Employees' Compensation is conducting or completing a number of matches designed to discover claimants receiving simultaneous payments from benefit systems which are prohibited by law, and to identify claimants who are receiving unreported earnings for work while being paid compensation for total disability.

-FEC received the results of an OIG match between Black Lung recipients and compensation recipients which identified seven cases on which dual benefits were recorded. All of these cases have been resolved.

-FEC transmitted raw hits from an OIG match between OPM and FECA rolls to its district offices, and is evaluating the responses before transmitting them to OPM. The majority of responses will be transmitted to OPM by March 25, 1983. OPM will supply information from its records, and each case will be resolved by the district office.

-A routine use notice for a match between state employment records and FEC rolls was published on February 8, 1983. After a match announcement is published in the Federal Register, and agreement letters are received from the pilot states, probably by the end of March, the match will be run. If this match is effective in identifying periodic roll recipients who are in receipt of earnings which they are not reporting to OWCP, the match may be extended to those other states which have similar wage data.

Debarment-Under the Federal Employees' Compensation Act, a claimant has initial free choice of physician, and the Office has not had specific legislative or regulatory authority to systematically exclude providers who are found guilty of deceptive or abusive practices, or who exhibit patterns of overbilling and overcharging. However, the Secretary is empowered by the Act to impose restrictions on the claimants choice of a treating physician.

Therefore, the program is seeking regulatory authority to put in place a debarment process, whereby providers are subjected to exclusion from the program by the Director if a pattern of abuse is shown, or if a conviction of fraud is recorded against another benefit program, and if appropriate due process procedures have been followed before the exclusion. We expect to be able to publish proposed rules for comment early in the year and to implement this program in May 1983.

The legislative reform package that was forwarded to the Speaker last year (March 30, 1982) had a provision that reimbursement not be made to providers convicted of fraud against similar programs or debarred from them, or found to have made false statements to the office. Any revised legislative proposal will have a similar provision.

Bill Payment System Protection

Modifications to bill-pay processing procedures and to the Level I bill payment system continue to be made to increase our protection against both internal and external fraud.

A screening program was introduced to ensure that bills on long-dormant, inactive or denied cases, and cases sent or transferred to other offices, were arrested before processing and reviewed by claims or supervisory personnel. Enhancements of that system have been transmitted to one half of the District Offices; the remaining enhancements will be made by March 28, 1983.

Payees not previously verified as legitimate and entered in a Master Provider File will not receive payment. The Master Provider File is controlled by the Systems Manager and cannot be entered without a password. Monthly lists are sent to each district office against which new providers must be compared, and a quarterly purge of the computer file is a requirement for the Systems Manager.

In the newly transmitted bill payment program, there will be an additional edit prohibiting payment when the tax identification number used to identify a provider is the same as the claimant's social security number. The various edits are designed as a first line of protection, covering the kinds of case files generally used to perpetrate internal fraud.

In addition, we have in place a series of supervisory review and check procedures, involving verification of correctness of payment of bills. Under the fee schedule program, an additional level of review will be involved, since bills will move from mail-and-file review for completeness, through screening for case status, signature and correct form, to a medical coder, and only then will they advance to the bill examiner and bill supervisor, for examination and approval. Finally, the bill data is keyed by a data entry clerk. Printed reports of all bill activity are reviewed the next morning by the bill supervisor or fiscal officer.

The National Office developed a report, the CA-91, which summarizes all bill payment activity in individual cases. This report is sent quarterly to claimants, with a National Office return address. If a claimant does not recognize a payment as appropriate, he or she notifies the National Office. Appropriate information is passed on to the district office management, or to the OIG, if there is any evidence of fraudalent payment.

Security and Loss Prevention

Payments to medical providers were limited to providers identified in advance as legitimate and entered in the computer storage bank by tax identification number. New entries into the list will be controlled by management personnel.

Lists of health care providers suspended or terminated from participation in Medicare, and lists of those whose licenses were revoked or suspended by State medical boards, are disseminated to district offices for checking and flagging provider files.

Draft regulations for the Solicitor's opinion, are being prepared, allowing FEC to debar providers under certain circumstances. It is expected that final regulations will be published, for comment, in the Federal Register by the end of June 1983.

Physical security controls in district offices were enhanced particularly for mail and file and computer areas. Mail and file room and computer room recommendations have been implemented to the extent possible.

An Automated Compensation Payment System (ACPS), which eliminates errors in computation of benefits, was installed.

Computer operations are protected by validity edits, frequently changed passwords, and other devices to prevent unauthorized individuals from creating or altering payments.

Office security of the ADP systems has been made part of the Accountability Review process.

System alterations were made to prevent payment to addresses other than those certified by examiners and entered in the master file by systems manager. This prevents mailing of checks to addresses created for purposes of fraud.

A form report, completed by claimants, also asks them to verify paid medical services, to guard against fraudulent bills.

During FY 1982, a pilot program was implemented nationwide whereby Wage-Hour and OFCCP Compliance Officers are used to investigate claimants on the periodic roll. Claimants are investigated if the FEC District Office has some reason to suspect that the claimant is earning unreported income, has fully recovered but has not returned to work or in some other way is potentially engaging in fraud or abuse of the FEC program.

In the three Black Lung areas cited in the report relative to 1099 earnings reports, the program has done the following:

1. The contract governing operation of the automated data processing system, put into operation as of September 1982, requires the capability to issue Form 1099's for both medical and legal providers;

2. As part of the implementation of the new ADP system, medical provider files have been purged and verification made to ensure that there is only one record per provider;

3. Form 1099's for legal providers were issued manually in January 1983 for tax year 1982, because the automated system could only access information for the first three months of operation (September through December 1982). Form 1099's will be produced by the automated system for tax year 1983 for all medical and legal providers.

ESA - PESTICIDE STUDY

Question: You indicate that a portion of your Employment Standards Administration executive direction research budget will be used to continue "the study on the effects of pesticides which will develop standards to insure a safe work environment for youth in agriculture." How much has this study cost to date and what are its total projected costs?

Answer: The Employment Standards Administration (ESA) has forwarded to the Environmental Protection Agency (EPA) a total of $1,127,000 to date ($400,000 in fiscal year 1980; $375,000 in fiscal year 1981; and $352,000 in fiscal year 1982)). We are currently estimating an additional $125,000 in fiscal year 1983 and $150,000 in fiscal year 1984 for a total of $1,402,000 over the course of five years to complete this project. It should be noted that our Interagency Agreement with EPA stipulates that ESA's contribution will comprise 55 percent of the total and EPA will contribute the remaining 45 percent.

Question: Why is ESA funding this study rather than the National Institute of Occupational Safety and Health, OSHA or the Environmental Protection Agency?

Answer: The Employment Standards Administration is funding 55 percent of this study as part of an Interagency Agreement with the Environmental Protection Agency which funds the other 45 percent. This involvement directly results from the Agency's responsibility for administering the child labor provisions of the Fair Labor Standards Act, under which 10 and 11 year olds may, if the Secretary of Labor grants a waiver, be used to hand harvest certain short season crops.

Question: What is your total proposed executive direction research budget in fiscal year 1984 as compared with your current research budget?

Answer: ESA's total proposed executive direction research budget in fiscal year 1984 is $450,000 compared with $1,242,000 for fiscal year 1983.

BLACK LUNG "ADVANCES"

Question: Given recently enacted changes in law that will increase coal tax revenue to the Black Lung Disability Trust Fund, how much will necessary advances from general revenue decline?

Answer: Pre-amendment estimates for advances in FY 1983 and FY 1984 were $384.7 and $409.6 million, respectively. Our post-amendment estimates for advances are $155 million for FY 1983 and $99 million for FY 1984. Thus, the decline in advances will be $229.7 million in FY 1983 and $310.6 in FY 1984.

Question: Will recent changes in eligibility for Black Lung Benefits have a noticeable effect on Trust Fund outlays and needed advances from general revenues?

Answer: Yes, the eligibility requirements under the Amendments of 1981 have had the effect of reducing the approval rate on new claims from 13-14 percent to three-four percent. This will reduce Trust Fund outlays in FY 1983 and beyond. Under the current eligibility requirements the last advance will be taken in FY 1987 and the fund will be solvent in FY 1999.

Question: What is your current estimate as to when the Trust Fund will no longer require general fund advances?

Answer: The last advance from the general fund will be taken in FY 1987.

BENEFIT PAYMENTS AND INTEREST ON ADVANCES: BLACK LUNG DISABILITY TRUST FUND

Question: Have the 1981 revisions to the Black Lung Disability Benefits program produced any noticeable effect on benefit outlays from the Black Lung Disability Trust Fund?

Answer: Yes, our current estimates for benefit outlays are $500.6 million in FY 1983 and $470.3 million in FY 1984, under the new legislation. Our pre-amendment estimates were $586 million in FY 1983 and $555 million in FY 1984. Thus, benefit outlays will decline by $54.4 million in Fy 1983 and an additional $31 million in FY 1984.

Question: Have new revenues to the Black Lung Disability Trust Fund met the estimates made when coal taxes financing the Trust Fund were raised by the Black Lung Benefits Revenue Act of 1981?

Answer: Recent estimates by the Department of Energy indicate that coal tonnage mined in FY 1983 will decline about five percent from earlier estimates used to develop the numbers presented in the FY 1983 budget.

Additionally, benefit payments from the Trust Fund are expected to increase above earlier estimates provided to the Congress in the FY 1983 budget for a number of reasons. First among these are the increased number of transfer cases not already in interim pay at the time of the 1981 Amendments. Also, there were more reimbursements made to operators for transfer cases formerly in operator pay. Finally, additional pre-amendment operator cases were added to pay in FY 1983 and there has been an increasing national trend in medical costs.

For the above reasons the program is requesting a supplemental appropriation of $54,000,000 in FY 1983 for increased medical and income benefits.

Question: Under you most recent estimates, when will the Black Lung Disability Trust Fund no longer need to borrow from general revenues?

Answer: The last advance from the general fund will be taken in FY 1987.

Question: When will all borrowing and interest be repaid by the Trust Fund?

Answer: Our current estimates indicate that the trust fund will be solvent in FY 1999.

COORDINATION OF BLACK LUNG PROGRAM WITH SOCIAL SECURITY ADMINISTRATION

Question: Do you regularly inform the Social Security Administration as to who received Black Lung benefits from the Black Lung Disability Trust Fund and how much is received? If so, how? Through computerized cross-matching?

Answer: The Division of Coal Mine Workers' Compensation (DCMWC) informs the Social Security Administration (SSA) approximately each quarter of the identity of the Part C Black Lung recipients and the amount of benefits received. DCMWC sends this information to SSA via computer tape.

Question: If the Black Lung Benefit is made by a responsible coal operator rather than the Trust Fund, how is the Social Security Administration informed?

Answer: The computer tape sent to SSA distinguishes between benefits paid by the Trust Fund or responsible coal operators using an identifying character.

Question: How do you implement the requirement for reduction in Black Lung benefits on account of receipt of other disability benefits for Black Lung? Through regular computerized cross-matching of benefit rolls?

Answer: Information pertinent to the receipt of other disability benefits which may reduce Part C Black Lung benefits is initially obtained from the application form and development of the claimant's supporting evidence. Updating and verification is done annually using a form CM-929, Report of Changes That May Affect Your Department of Labor Black Lung Payment. Further verification is done using computer tape matching from SSA and state workers' compensation agencies which have computerized records.

Question: How many cases are having their Black Lung benefit reduced on account of receipt of other disability benefits?

Answer: Data as to the number of cases having Part C Black Lung benefits partially or totally offset due to receipt of other disability benefits is not currently available. This data has been identified as a management information need and will be captured during the last quarter of FY 1983.

BLACK LUNG

Question: What procedures have you established to implement the new requirement that "Part C" Black Lung benefits be reduced on account of a beneficiary's "excess earnings" -- i.e., earnings that would reduce a social security retirement benefit?

Answer: New procedures to obtain earnings information from claimants who may be subject to the excess earnings offset have been initiated. These procedures include revising the application for benefits to incorporate earnings information and changing the annual eligibility questionnaire to incorporate a request for earnings information.

Question: Do your procedures take account of only those reported at the time of benefit entitlement or do they track earnings over the life of the beneficiary's entitlement?

Answer: The earnings information procedures track earnings over the life of the beneficiary's entitlement to age 70, the termination age for the excess earnings offset, through the use of the annual report form.

FEDERAL EMPLOYEES' COMPENSATION ACT BENEFITS

Question: What is your best estimate as to the cost of the "continuation of pay" (COP) provisions of the Federal Employees' Compensation Act (FECA).

Answer: Costs in salary and expenses provided under the COP provisions were $64.9 million in FY 1981 and $63.2 million in FY 1982. Anticipated costs for FY 1983 and FY 1984 are expected to fall between $65-70 million for each year. Most of this increase is attributable to the increase in base salary levels for all covered Federal employees.

Question: What is your best estimate of that cost as compared to the cost of providing regular FECA benefits to continuation-of-pay claimants in lieu of COP?

Answer: Regular FECA compensation rates are on the average 28 percent less than the full salary COP benefits. That 28 percent differential would represent an actual savings to the agencies if regular FECA compensation were paid in lieu of COP. However, since COP benefits are taxable as salary and compensation benefits are not, the actual savings to the U.S. Treasury would be about 17 percent. Thus, on anticipated COP costs of $65 million, a savings of approximately $18 million would be realized by the agencies, while the savings to the Federal Treasury would be in the neighborhood of $11 million.

Question: If Congress adopts revisions in the Federal Employees' Compensation Act (FECA) similar to those proposed by the administration by mid-1983, can significant savings be realized in FECA costs in fiscal 1984?

Answer: If the continuation-of-pay provisions were revised as earlier proposed, there would be a net savings to the Federal Treasury since the FECA compensation benefits would cost the Federal government about 17 percent less than the full salary provided under the COP provisions. This would result in a net saving to the Federal Treasury of approximately $11 million in FY 1984. However, this savings would accrue to Federal agencies, and not to the FEC fund. The immediate effect on the FEC fund would be an increase in costs as days lost to injuries that were previously compensated under the COP provisions (paid by agencies) would then be compensated at regular FEC benefit rates from the FEC fund. There would be a lag-time of two to three years before these additional FEC fund costs would be repaid to the Fund through agency chargeback reimbursements.

Question: What proportion of the long-term caseload under the Federal Employees' Compensation Act (FECA) receives non-taxable cash benefits that, adjusted for changes in Federal salary levels, are larger than their pre-injury after-tax income?

Answer: It is difficult to show a distribution by rate of pay at the time of disability and express it in FY 1983 dollars because of the complexities involved in calculating current level salaries and take-home pay for cases that have been on the periodic roll for many years. Of cases that would go on the periodic roll at today's salary levels, it would generally require a salary of a GS-13 or above to result in a compensation rate that equals or exceeds the take-home pay. But since each employee's tax situation is unique, any general statement would have numerous exceptions. We estimate that between one and six percent of current FECA recipients receive benefits higher than their take-home pay expressed in FY 1983 dollars. The high end of the range (six percent) assumes tax liability based on a standard deduction. The lower end of the range assumes itemized deductions (based on an IRS profile of various income levels) and is probably more realistic since individuals at higher income levels would be more likely to itemize their deductions.

LONGSHORE AND HARBOR WORKERS' BENEFITS

Question: Are you taking any steps to better control spending out of the Special Fund established by the Longshoremen's and Harbor Workers' Compensation Act?

Answer: The monitoring of Special Fund second injury, Section 8(f), cases is performed jointly by the local Longshore District Office and the National Office. Initially, all potential 8(f) cases are carefully screened by the local District Office. If the District Office determines that the case satisfies the criterion for 8(f) relief, as set forth in the Longshore Procedure Mannual, and no other issues are in contention, the case is forwarded to the National Office for further review. Should a section 8(f) application be denied at either the District Office or National Office level, or should other issues remain in dispute at the District Office level, the case is referred to the Office of Administrative Law Judges for formal hearing. No second injury case is approved for voluntary payment by the Special Fund until there has been a District Office recommendation with National Office concurrence.

It should be noted that the vast majority of all cases paid for by the Special Fund (an estimated 90-95 percent) result from either an Administrative Law Judge, Benefit Review Board, or Circuit Court Order. Although the legislative history of the Longshore Act reflects Congressional intent of spreading the risk among all employers to encourage the employment of handicapped workers, the statutory language of section 8(f) is sufficiently unclear that the

Administrative Law Judges, the Benefits Review Board, and the Circuit Courts have been able to fit almost any pre-existing physical condition, whether known to the employer or not, into the category of a pre-existing permanent partial disability. Thus, it is not difficult for a skilled litigant to request a limitation of liability under section 8(f) and be successful in his/her efforts.

As Deputy Under Secretary Collyer testified before the Senate Labor Subcommittee in 1981, the Department believes that legislative changes clarifying the meaning of certain terms in the Act, such as "pre-existing permanent partial disability", and changes which would provide the Department of Labor with greater authority to limit the usage of the Fund would contribute significantly towards controlling the ever increasing expenditures of the Special Fund.

Other proposals also designed to achieve the same objective were incorporated into the Longshore bill (S. 1182) which unanimously passed the Senate last year. This bill was reintroduced in the Senate as S. 38 in January, 1983. Meanwhile, The Solicitor of Labor intends to use staff from his regional offices to appear at administrative law judge hearings to defend the Special Fund.

FEDERAL EMPLOYEES' COMPENSATION ACT LONGSHOREMEN'S AND HARBOR WORKERS' COMPENSATION ACT

Question: What legislative changes does the Department of Labor view as being essential to more effectively administer the Federal Employees' Compensation Act and the Longshoremen's and Harbor Workers' Compensation Act?

Answer: To fully restore the credibility of the FECA Program, legislative changes are needed to:

- Revise the computation of benefits to discourage the filing of claims for minor, nondisabling injuries, and to provide incentives for injured employees to return to work as soon as possible; modify continuation-of-pay provisions; modify the waiting period; revise the scheduled benefits section.

After consultation with the major employing agencies and employee organizations, the Department will submit to the Congress later this year, a legislative package which is designed to implement these needed changes.

As Deputy Under Secretary Collyer, testified before the Labor Subcommittee of the Senate in 1981, the administration of the Longshore Act could be improved by changing the Act to:

- Modify the existing high benefit structure of the Act by placing a cap on cost-of-living adjustments, eliminating unrelated death benefits, and placing a maximum on death benefits;

- Reduce the current broad coverage provisions;

- Provide stringent penalties for misrepresentation under the Act; and

- Control the growing liability of the Special Fund by tightening up the definitions of what constitutes a "pre-existing permanent partial disability" and a "materially and substantially greater" injury, providing the Department of Labor with more authority to limit the Fund's usage; and charging the Fund for the costs of its administration and legal defense.

Most of these objectives are addressed in the Longshore bill (S. 1182) which unanimously passed the Senate last year and which was reintroduced in January of this session as S. 38.

AUTOMATION OF WORKERS' COMPENSATION SYSTEMS

Question: Are you on schedule in meeting your 1985 goal of an integrated automated data processing support system for all of the workers' compensation systems governed by Federal law?

Answer: Current development plans call for the completion of the implementation of the Level II Federal Employees' Compensation System in all Regions by the end of June 1985. We plan to bring Longshore data processing application onto this system by the end of that year. Our plans are to evaluate the feasibility and desirability of bringing the Black Lung system into this network during FY 1984 with a targeted completion during early 1986.

NEW FARM WORKERS PROTECTION LAW

Question: In December 1982, Congress passed legislation to replace the Farm Labor Contractor Legislation Act. What is the status of regulations to implement the newly enacted Migrant and Seasonal Agricultural Worker Protection Act?

Answer: The Department has had discussions with various interest groups and has developed proposed regulations which are now being finalized for clearance and publication.

Question: Are you requesting any additional staff to implement this new law?

Answer: No. The resources which had been allocated for the enforcement of the Farm Labor Contractor Registration Act will be reallocated to the new law. It is expected that this current level of staffing will be able to adequately enforce the new law and provide needed information to assist employers in learning about their obligations under the law.

Question: In what way do you expect this new law will improve protection of farm workers?

Answer: The new law continues in effect important worker protections that existed under the Farm Labor Contractor Registration Act. In addition to obligations on "crewleaders," however, the new law also applies to certain agricultural employers and agricultural associations and provides:

- requirements for preemployment notification of working conditions and recordkeeping with respect to both migrant and seasonal agricultural workers;

- housing safety and health standards to be met by anyone who provides housing for migrant workers;

- motor vehicle safety standards and insurance requirements to be met by covered employers who provide transportation for migrant and seasonal agricultural workers.

DISTRICT OF COLUMBIA WORKERS' COMPENSATION PROGRAM

Question: To what extent has the recent turnback of the workers' compensation workload in the District of Columbia freed up staff and resources to improve administration of your remaining workers' compensation workload?

Answer: The Department of Labor has been and will continue during the phasedown of the Federal District of Columbia Compensation (DCCA) program to be reimbursed by the D.C. Government for the administrative expenses of operating the Federal DCCA program. As the D.C. Government assumes full responsibility for the DCCA program, all administrative resources of this program will become the responsibility of the D.C. Government. These staff resources will not be made a part of OWCP's authorized staffing level and thus, they will not become available to improve the administration of the remaining workloads in OWCP.

Federal Employees' Compensation District Office 25 in Washington, D.C. had the responsibility for processing claims filed by the employees of the District of Columbia prior to July 26, 1982. There has been no discernable effect on workload in District Office 25, due to the transfer of responsibilities. In fact, D.O. 25 incoming workloads are higher than those of a year ago when D.O. 25 still had the responsibility for processing claims filed by District employees. In past years, that portion of the total FEC workload that was attributable to District of Columbia employees was approximately one percent.

BUREAU OF LABOR STATISTICS

STATEMENT OF DR. JANET L. NORWOOD, COMMISSIONER

ACCOMPANIED BY:

WILLIAM G. BARRON, DEPUTY COMMISSIONER FOR ADMINISTRATION AND INTERNAL OPERATIONS

KENNETH V. DALTON, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS

PREPARED STATEMENT

Senator RUDMAN. We will now hear from Janet Norwood, Commissioner of the Bureau of Labor Statistics, the final witness of the morning, I believe.

Dr. NORWOOD. Good morning, Mr. Chairman.

Senator RUDMAN. Would you identify your associates, and we'll proceed with a summary of your statement and incorporate the entire statement in the record.

[The statement follows:]

STATEMENT OF JANET L. NORWOOD

I appreciate this opportunity to appear before you to present the Bureau of Labor Statistics appropriations request for fiscal year 1984. The Bureau is requesting a total of $136.3 million for fiscal year 1984, an increase of $7.2 million over the comparable fiscal year 1983 level, which includes a supplemental request of $3.6 million to fund the costs of the October 1982 Federal pay raise. Aside from the funds necessary to continue the production of the Bureau's core statistical programs, the fiscal year 1984 request includes $2.4 million to cover mandatory cost increases and a proposed program increment of $4.8 million to initiate a major revision of the Consumer Price Index.

As you know, Mr. Chairman, the Bureau of Labor Statistics is responsible for the production of a broad range of important economic statistics which are widely used in both the public and private sectors. However, due to its enormous impact on public and private decisionmaking, the Consumer Price Index program must be accorded special significance. According to a recent report of the Congressional Budget Office (CBO), one-third of Federal expenditures are directly linked to the CPI; more than one-half of the Federal budget is indirectly affected; and a 1-percent increase in the CPI triggers nearly $2 billion of additional Federal expenditures, at 1981 progam levels. Beyond this, Congress provided in the Economic Recovery Tax Act of 1981 (Public Law 97-34) for adjusting—starting in fiscal year 1985—personal income tax brackets and exemptions based upon changes in the CPI.

These important uses at the Federal level are in addition to the use of the CPI in individual collective bargaining agreements which affect some 6.5 to 7 million workers. Given the widespread use of the CPI in both the public and private sectors, BLS must place a high priority on maintaining the accuracy of the CPI in the years ahead. Thus, the Bureau has requested a program increase of 102 positions and $4.8 million to begin a multiyear program in 1984 to revise the CPI.

In launching this program, the first results of which will be introduced with release of the CPI for January 1987, our objectives are: (1) to incorporate the results of the 1980 census of population into the CPI to account for population shifts which have occurred since 1970. This includes reselection of the CPI sample of pricing areas as well as the household samples needed to support estimates of price change for rent and homeownership costs; (2) to update the CPI market basket of goods and services to reflect changes in consumer spending which have taken place since the 1972-73 period currently used as the reference base; and (3) to improve measurement techniques where possible and to develop statistical measures of the reliability of accuracy of the CPI. In addition, we would also use the revision period to introduce operational improvements into the CPI production process, including modernization and improvement of computer systems and the introduction of a formal quality measurement program as recently recommended by the General Accounting Office.

While the initiation of a CPI revision is the largest program change which we are proposing, our submission also reflects the fact that the costs of operating the Bureau—the mandatory increases—will be $2.4 million higher in fiscal year 1984 than they are today. The largest part of this increase reflects salary-related adjustments for Bureau staff, as well as for State employees working in Federal/State cooperative programs. Other mandatory increases relate to space rent, medicare costs, increases in the cost of telephone service, utilities, and some contract services such as those provided by the Bureau of the Census.

The Bureau's fiscal year 1983 budget authority and fiscal year 1984 request reflect a comparative transfer of $5.3 million from the accounts of the Employment and Training Administration to continue an ongoing Federal/State cooperative program to develop data on employment by occupation among the States. These data, collected by staff in the State employment security offices, are useful in meeting both national and State program objectives, and have been recently mandated by the Jobs Training Partnership Act as a part of the act's labor market information components. For some time, BLS has provided technical guidance and ETA has maintained managerial control of State operations on this program. The fiscal year 1984 transfer of funds reflects a departmental decision to centralize authority for this program in the BLS. We expect this change to improve the efficiency and timeliness of all Federal/State program operations, and are developing administrative and managerial procedures to insure that this happens.

Finally, Mr. Chairman, I would like to report to you that this past year the Bureau successfully reshaped its programs in line with the fiscal year 1982 reductions and was able to continue the orderly production of its major releases and other products and to maintain their essential quality and timeliness. I am proud of the adaptability and professional dedication that the BLS staff exhibited during this period of change. In addition, Mr. Chairman, I am grateful for the support and interest of this committee, as well as other committees and Members of Congress, in the important work which the Bureau performs. During this past year, we have had greatly increased contacts with congressional Members and staffs as well as requests to testify in formal hearings. We place great emphasis on our role as a service agency, and we will continue our efforts to provide data and other assistance whenever possible.

This concludes my statement. Thank you Mr. Chairman, and members of the committee.

I now welcome any questions you may have.

INTRODUCTION OF ASSOCIATES

Dr. NORWOOD. Thank you very much. Mr. Chairman, I'd like to introduce Mr. William Barron, who is our Deputy Commissioner for Administration and Internal Operations, who is on my right, and Mr. Kenneth Dalton, who is Associate Commissioner for Prices and Living Conditions, on my left.

Mr. Chairman, the BLS fiscal year 1984 budget request is $136.3 million. That figure reflects adjustments for the fiscal year 1983 pay increase and a comparative transfer in fiscal 1983 of $5.3 million for one of the labor market information, LMI, programs from the Employment and Training Administration, ETA, to the Bureau of Labor Statistics. In the past, we have split responsibility with ETA. We have had technical responsibility while ETA provided the funds. It has been decided by Secretary Donovan and OMB that the national LMI program is going to be better managed if both the funding and technical responsibility is lodged in the Bureau.

Our fiscal 1984 budget request reflects a small amount for mandatories, some $2.4 million, and a program increase of $4.8 million and 102 positions to begin the multiyear revision of the Consumer Price Index.

CPI REVISION REQUEST

I think I don't need to explain to you the importance of the CPI and its many uses, its effect on Federal Government entitlement programs, and on the incomes of many of the people of the country. Our responsibility is to insure that it is as accurate as it can possibly be. It is essential that we make changes to take account of and to incorporate data from the 1980 census of population, so we can reflect in the areas in which we collect prices and in the population weights and the index exactly where people are now living.

We need to change the market basket of items that are priced and the relative importance of those items in the CPI to take account of more recent consumer expenditures.

We need to initiate or install a much more improved quality control program, given the kinds of uses of the index, and to modernize some of our computer system and pricing techniques.

ONGOING BLS PROGRAMS

We are, in addition, of course, continuing to work very hard to keep up the quality of our other programs. As you know, we have responsibility for wages, for prices, for employment and unemployment measurement, for occupational safety and health statistics, economic growth, and occupational outlook.

We are very proud of our professionalism in the Bureau. I have been impressed in the last few years with the unprecedented increase in the use of our data and the need for our constant explanation. We are a very open agency, and try to explain to everyone exactly how the data are produced.

I am grateful for the support of this committee and of the Congress in general. Our staff has had enormously increased contact with congressional committees to try to explain to them what our data show and ways in which our data might better be used in the legislative process.

I'd like to answer any questions.

MULTIYEAR FUNDING

Senator RUDMAN. We have a few questions. Dr. Norwood, I believe the first one is just a technical question. You're requesting these funds be available over a long period of time—5 years to be precise. I'm sure you have a reason for that.

Dr. NORWOOD. Absolutely. We have had a good deal of experience in multiyear revision programs. Sampling, surveying, computer design, and programing are very difficult to do. We are extremely efficient, I think you will find, in the way in which we do many of these things, and I believe strongly that when we undertake research and when we undertake a sample design, we need to be certain that we do the very best job possible. It may well be necessary to do a little bit of extra research toward the end of the year, and to institute that part of the sample design in the following year.

I think there is nothing that is more important to the efficiency of a multiyear revision program in the statistical system than the ability to utilize the funds from one year to the next.

This is a limited request. It applies only to the Consumer Price Index revision program, and I might say it is a type of authority which is used elsewhere in the statistical system. The Census Bureau has this authority on a regular basis, and has had it for many, many years.

Senator RUDMAN. Could you tell us what the total cost of the project is going to be by 1988?

Dr. NORWOOD. $41 million. I might say this is one of the most cost-effective statistical programs the U.S. Government has.

PROGRAM REDUCTIONS

Senator RUDMAN. As a result of some previous budget cuts, you have had to eliminate or scale back a number of statistical programs. Has this action interfered with furnishing the Congress with appropriate data?

Dr. NORWOOD. I like to think not. Obviously, anything we produced had uses. Nevertheless, we were extremely careful in the identification of programs that we cut back to protect the basic core of data which are necessary for evaluating the Nation's economic condition. I think we have done that.

Senator RUDMAN. If you could get some of that money back, which of the programs would you reinstate, in order of priority, of several of those you have had to eliminate? Or do you think you've got it projected now in a way that you hadn't before?

Dr. NORWOOD. Well, let me say first, Mr. Chairman—I'm sure you recognize that I'm here to support the President's budget. Having said that, I think there are two areas that give me some concern. One is a very basic problem with local area data. Such data are very expensive and very difficult to collect and develop with accuracy. We continue to work on those problems, both for local area employment statistics and for local consumer price indexes. However, money is not the answer to some of the difficulties that exist for small area data.

The second area which gives me some concern is our wage and industrial relations program, which we have been reviewing. It is one which I believe needs modernization. We are discussing possibilities with our advisory committees—our Labor and Business Advisory Committees—and there may in the future be some changes which we will recommend to Secretary Donovan and, through him, to Congress.

DISCOURAGED WORKERS

Senator RUDMAN. All right. Several subjects, since we have you here this morning, I'd like to ask you about. Under the Labor Department data, the number of discouraged workers is about 1.8 million. What would the official unemployment rate be if they were included?

Dr. NORWOOD. Well, there are roughly 110 million people in the labor force, and approximately 11 million unemployed, which is about a tenth. The unemployment rate would be increased considerably if discouraged workers were included. I think, however, it is essential to recognize that discouragement is a state of mind and it is very difficult to measure with accuracy. It is for that reason that independent bipartisan commissions which have reviewed the employment statistics system decided to recommend against including them in the official unemployment numbers. We do publish them on a quarterly basis, as you know.

PROGRAM IMPROVEMENTS

Senator RUDMAN. Are you doing anything to try to reduce the error in area statistics and unemployment you spoke about a moment ago?

Is there any effort being made?

Dr. NORWOOD. We are always working on improving the quality of all of our programs because I believe very strongly that any statistical agency that stands still moves backward. In the case of local area unemployment statistics, one of the changes in the fiscal 1984 budget is in the allocation of funds from the Employment Security Administration account in the unemployment trust fund for this purpose, and full transfer of management as well as technical responsibility of the Federal/State cooperative system to the Bureau of Labor Statistics. We hope to make considerable improvement and efficiencies in that system. But I do want to underscore the difficulty of getting effective data for very small areas of the country.

LOCAL AREA STATISTICS

Senator RUDMAN. In one of your recent press releases, put out by one of the regional offices on the CPI, the press release asked the users to exercise caution in evaluating local data because of the variability of local indices.

Do you publish that normally? Is that a disclaimer that you now have as a policy on other index information you put out on a regional basis?

Dr. NORWOOD. It's not just in one region. It is in our national release, and it is a point that I have been making in a number of speeches. It is in the Monthly Labor Review. What we try to do is to explain to people the statistical properties of the data we produce. It concerns us, as there has been such a tremendous increase in the use of the local area data for either allocation of funds or for indexation.

When the local CPI is used for indexation, as opposed to the use of the data as a broad measure of price change at the local level, it means that in that particular month the decision is made to adjust wages. The local samples are much smaller, of course, than the United States, since the national index is an aggregation of all areas. If the local index happens to be more variable in that particular month, it may create some problems. We, therefore, advise people to use the national index for that purpose.

Senator RUDMAN. It really is a very interesting question. I'm not suggesting for a moment that local indices are not to be published, but if you publish them and in the next breath tell people to take caution, beware if you're using them, it tends to make you wonder whether maybe the national index might not be a better index and less subject to the kind of error in its use that you suggest.

Dr. NORWOOD. I think you're quite right. However, there are two problems. One is that people tend not to live in some aggregate called the United States. They live in local areas, and they want data for their own area.

And the second problem is, in order to produce the data for the Nation as a whole, we of course have to collect the prices in some areas of the country. But people know we have that information, and if we didn't publish it we would be getting freedom of information requests by the thousands, and it is more efficient to publish it and to explain to people what we have and what the statistical vagaries are.

QUALITY CONTROL PROGRAM

Senator RUDMAN. I understand the introduction of some quality control in the producer program has led to more efficient and economical data collecting and processing. Can you give us some examples of what you have done and what the implications might be for other indices such as the CPI?

Dr. NORWOOD. I will be glad to submit a short statement for the record on that.

Senator RUDMAN. Fine.

[The information follows:]

Methods for assuring the accuracy of price survey procedures and data processing have been redesigned and upgraded at the Bureau of Labor Statistics in recent years. Particularly for the producer price index (PPI), a formal system of quality control and measurement is being developed based on the techniques pioneered by Edward Deming and J. M. Juran and most notably applied in Japan. Application of these methods to information handling and other administrative programs has been limited. Good results in the past year have been encouraging and have provided the knowledge and confidence for expansion of this effort to other programs such as the upcoming Consumer Price Index revision (CPIR).

The quality assurance program includes special detailed evaluation studies of selected areas, ongoing controls and reports, statistical quality control and measurement, and a system for information feedback and corrective actions. This feedback information will be used two ways: routine control information goes directly to the operating staff while summary reports and identified problems are routed to managers; this information will be compiled to measure total nonsampling error.

The quality systems are structured to encourage ongoing participation in the quality process by employees at all levels. This participation is the keystone to cost-effective and preventive quality assurance.

Based on the PPI experience, a similar program is now being planned for the CPI revision and a long-term plan for quality improvement of the CPI is being developed.

The same key staff members who coordinated the PPI quality design will be leading the CPI effort. Although there are important operational differences between the programs, we are confident that the principles and fundamental quality assurance techniques being developed for the PPI will be successfully adapted and enhanced for the revised CPI.

CONSUMER PRICE PROGRAM

Dr. NORWOOD. I do want to say our staff has broken new ground in this area and has developed a system that is being looked at by the statistical community as being quite revolutionary. We are very proud of it, and what we want to do in the consumer price program is to begin to adapt some of these techniques to that program as well.

VOCATIONAL INFORMATION

Senator RUDMAN. Finally, just a specific question. You noted that one out of every four jobs that will be taken by a college graduate in the 1980's previously would not have required a college degree heretofore.

Are you doing anything to help students with your statistics to make better career decisions? Are you doing anything in that area?

Dr. NORWOOD. We try. We publish the Occupational Outlook Handbook, which is a best seller for the U.S. Government, as well as the Occupational Outlook Quarterly. We work extensively with high school counselors and vocational education people and provide them with occupational information.

We have cut back that program some, but we think it still does a good job of providing and explaining information.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator RUDMAN. Dr. Norwood, we have a few other questions which we will submit for the record. There's one you are going to amplify for the record, and it's always a pleasure to have you testify.

I'm sorry you were not among our witnesses on the full committee for the economic outlook hearings, which you were, I think, last year.

I share a very high opinion of the work you do and the very nonpartisan way in which you deal with these figures. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CPI REVISION PERSONNEL COSTS

Question: You are requesting $4,837,000 and 102 additional positions for the revision of the Consumer Price Index. How much of the total requested would be used to pay for the fiscal year 1984 salaries of the additional personnel?

Answer: In FY84, $2,209,000 is budgeted for salaries and benefits for personnel working on the CPI Revision.

TOTAL COST OF CPI REVISION

Question: What will be the total cost of this project before it is completed in 1988?

Answer: The cost of the revision of the Consumer Price Index is estimated at approximately $41 million for Fiscal Years 1984 through 1988. These estimates do not include adjustment factors for future salary increases or other mandatory changes.

MULTI-YEAR AVAILABILITY FOR CPI REVISION

Question: You want these funds to be available for five years. This is an unusual request. Why are you requesting availability for such a long period of time?

Answer: The on-going work of the CPI is a monthly production cycle with established and defined procedures. A revision of the CPI, by comparison, is a multi-year, major project effort, composed of many non-routine activities.

The primary need for multi-year funding of the CPI Revision is improved program management. The commitment of the Bureau to a rigid schedule of activities that will culminate in the publication of a revised index by January 1987 requires a concomitant ability to commit adequate resources to specific projects which cut across fiscal years. Uncertainty of resource availabilty was one of the reasons completion of the last revision of the CPI was delayed.

Multi-year funding authority for the FY 1984 request would allow the unobligated balance at the end of the fiscal year to remain available for obligation through FY 1988. This appropriation would be still subject to the same principles of accountability as annual appropriations.

USE OF WAGE INDEX FOR SOCIAL SECURITY

Question: There has been considerable discussion of using a wage index instead of the Consumer Price Index (CPI) to compute the cost-of-living adjustments for Social Security recipients. What specific index is being referred to when one says "wage index"?

Answer: The term "Wage index" most likely refers to the BLS Employment Cost Index (ECI) and more specifically to the ECI's published series on wage and salary change.

The ECI measures quarterly changes in compensation costs (i.e., wages salaries, and employer costs for employee benefits), using fixed occupational and industrial employment weights. Thus, it estimates changes in the price of labor in a manner similar to the way that the CPI estimates price changes for a fixed market basket of consumer goods and services.

The ECI is one of the most comprehensive BLS series covering nearly 90 million workers in private industry and State and local governments. It excludes only farm, household, and Federal government workers.

WAGE INDEX

Question: In your opinion, are there any technical problems with the wage index that should cause the Congress to think twice before adopting it as a replacement for the CPI?

Answer: I do not feel that there are major technical problems with the ECI. I am concerned, however, that certain improvements should be put in place before the ECI is adopted for use in legislation as an evaluator. The improvements include increasing the ECI sample (currently only about 2,500 establishments) and updating of the ECI fixed-employment weights (now based on the 1970 Census).

WAGE INDEX IMPROVEMENTS

Question: Mindful of the criticism the CPI has attracted in its role as a vehicle for computing cost-of-living adjustments, is the wage index going to have to be upgraded or otherwise improved before it can be considered an adequate mechanism for computing those adjustments? If so, how long would it take and how much would it cost?

Answer: It is important, of course, that Congress weigh very carefully the choice of any statistical series it considers for use in adjusting Social Security payments. Choice of the ECI, or any other series, should be examined in light of the conceptual and technical characteristics of the data and whether these are compatible with what is being adjusted. This type of scrutiny would go a long way toward stemming future criticism of the adjustment process, as well as the statistical series chosen.

The ECI, like other major BLS statistical time series, should be reviewed and revised periodically. In addition, the ECI is a developing series that began in 1975--a relatively new series compared to others. Because of this, I believe it would be judicious to implement ECI improvements (such as increasing establishment samples and updating fixed employment weights) before using it as a vehicle for adjusting Social Secutiry payments.

Our plans for revising the ECI have not been refined to the point where we have precise time schedules and cost estimates. A rough estimate on completing an ECI revision is probably in the 3 to 5 years range and would cost between $8 and $12 million.

USER CHARGES

Question: In an August 1982 letter to the Joint Economic Committee, the Director of the Office of Management and Budget (OMB) said:

> "Although many statistical products legitimately have a 'public goods' component***other statistical products are mainly 'private goods' whose value accrues primarily to specific individuals or groups***Statistical agencies have been encouraged to distinguish these special benefits from the general benefits of public goods and to apply user charges where appropriate."

Do any of the Bureau of Labor Statistics' statistical products fall into the "private goods" category?

Answer: The Bureau's basic statistical programs do not fall into the "private goods" category. However, when the Bureau performs a special service for an identifiable recipient, or a special class of recipients, the Bureau assesses user fees or charges. In FY 1983, it is estimated that $9.4 million of the Bureau's total estimated obligations of $133.2 million will accrue from reimbursable obligations, or charges assessed outside users. Generally, this work involves (1) surveys designed for the special benefit of a particular person, group, or program, (2) special tabulations or reformatting of data already collected as part of the Bureau's regular core output or (3) reproduction of tapes of data already collected. In each case, the "customer"--who may represent either public or private interests--pays the incremental cost of production including an appropriate share of overhead costs.

CURRENT USER CHARGES

Question: What user fees does BLS now have on the books and what other fees are being considered?

Answer: The Bureau charges users according to the type of output as described below:

* Basic statistical output supported by Congressional appropriation: Users who obtain the basic output through the Government Printing Office (GPO) or the National Technical Information Service (NTIS) pay printing, other reproduction, and mailing costs. The charges are set by the GPO and the NTIS. BLS receives no return from these sales.

* Special tabulation or reformatting of the basic statistical output: Users making such requests pay only the incremental cost of production, which covers computer, staff, and reproduction costs including an estimate of overhead charges relating to the special work. BLS estimates these charges which are incorporated in a formal contract. The receipts are retained by BLS.

* Special survey or other data development: Customers who request work for their own special purposes pay the full cost of production and an appropriate share of overhead expenses. BLS estimates these charges, which are incorporated in a formal contract. The receipts are retained by BLS.

* Reproduction of data tapes: Users making such requests pay only the incremental cost of production, which covers the cost of the tapes, computer, staff, and reproduction costs including an estimate of overhead charges relating to the reproduction of the data tapes. BLS estimates these charges which are incorporated in a formal contract. The receipts are retained by BLS.

While prices for periodicals and other publications are generally set by the Government Printing Office in accordance with their pricing policies, BLS is working with GPO to review current practices and charges for distribution of BLS products.

BLS USER FEE POLICY

Question: What is the BLS' policy with respect to user charges and how is that policy being implemented?

Answer: The Bureau policy on user charges is to charge the actual cost of production for all its output that is for the special benefit of an identifiable recipient. This is in keeping with Federal statute and OMB Circular A-25.

This policy is implemented in the following way—

* in the private goods category the full cost of production is recovered from the customers to the maximum extent possible including an appropriate share of overhead costs;

* in the public goods category, the Bureau pays some costs; users pay others, as follows:

BLS pays from its annual Congressional appropriation the costs of

— data collection, processing, editing, and analyzing its basic core statistical output;

— initial requirements of publication and distribution of the basic output, which includes press releases and a limited supply of free copies of bulletins and periodicals. The latter are made available to members of Congress, top officials in the White House and the Executive Branch, the media, and respondents to Bureau surveys; and

— handling mail and telephone requests for information. When this volume exceeds available staff resources, which is often the case, the Bureau seeks automated assistance in the form of telephone answering devices and electronic mail services.

Users pay the incremental costs of

— additional publications, periodicals, microfiche and other forms of data release: These documents are placed on sale at either the Government Printing Office or the National Technical Information Service. Receipts from these sales are kept by the sales agent, who also sets the price.

— reproduction of data tapes: Charges to cover production costs are assessed and collected by BLS. The Bureau also retains the receipts.

ADEQUACY OF USER FEES

Question: How does the Bureau insure the adequacy of its user fees?

Answer: Bureau policy is to recover the full costs of any special work undertaken to satisfy the needs of a specific user. Generally, such work is undertaken on a contractual basis and actual costs are captured in cost accounting records and reviewed by both program staff and budget/accounting personnel. There are difficult practical issues that must be addressed in considering what to charge specific users when the products involved are closely related to existing BLS products. BLS has recently chaired a review of user fee practices in major statistical agencies and found that, generally speaking, these agencies are charging appropriately for their products, given existing laws and regulations. This is an area, however, where ongoing management attention is required, both to ensure adherence to Federal law and individual agency regulations and policies as well as to review practices to ensure that charges to customers are appropriately estimated.

NATIONAL COMMISSION ON EMPLOYMENT AND UNEMPLOYMENT STATISTICS

Question: What has BLS done to adopt the recommendations of the National Commission on Employment and Unemployment?

Answer: The Bureau has already adopted two of the National Commission's major recommendations to (1) develop an annual report on labor market related economic hardship and (2) include the Armed Forces stationed in the United States in the calculation of several new national labor force series.

In addition, the Bureau is continuing work on recommendations in the following areas:

(1) Current Population Survey redesign: The Census Bureau has completed most of the required research on survey operations procedures that will be used in the ongoing redesign of the sample for the CPS. Funding for the CPS redesign is included in the FY 1984 request of the Census Bureau, and the completely redesigned sample is scheduled to be introduced in mid-1985.

(2) Improvement of the Current Employment Statistics program: Work is under way on this multi-year program with resources provided by Congress in FY 1982.

(3) The development and refinement of measures from the CPS: New questions have been designed and are currently being tested through special research survey panels conducted by the Bureau of the Census. Some questions concern labor-market related discouragement; others are to sharpen the meaning of several items relating to the characteristics of employed and unemployed workers.

Question: Will additional funds be necessary to carry out any changes being made? Can any savings be made?

Answer: In addition to the recommendations noted earlier, the National Commission made a number of other recommendations dealing with expanding sample sizes, for the most part to improve data for local areas and minorities. The President's Fiscal 1984 budget submission for the Bureau of the Census contains a request for funds to support the redesign of the Current Population Survey, and BLS is working closely with the Census Bureau in this effort to consider ways in which improved local area data as well as data for minorities can be addressed. If the redesign effort produces findings which suggest that program or funding changes should be pursued, BLS will propose such changes through the normal budget process.

AUTOMATION OF DATA COLLECTION AND PROCESSING

Question: What has the Bureau of Labor Statistics done to introduce or expand the use of efficient data collection and processing techniques, such as computer assisted telephone interviews or the use of Optical Character Recognition Equipment?

Answer: Electronic scanning is used by BLS for the capture of data reported by business firms for the Producer Price Index (PPI). The current expansion of the PPI program--a 10-fold growth in the PPI sample is under way--required massive gains in productivity and speed in order to contain costs while assuring accuracy and timeliness. A multi-component system was installed which includes close-tolerance printers for preparation of reporting forms, an automated mailing system, an optical scanning machine, an interactive module for review and edit of captured data, and a quality control and measurement system. These systems now handle 50,000 price reports each month and are designed to process 100,000, compared with a pre-expansion level of 10,000 price reports each month. This increase in data flow through the new systems has required an increase of only 50 percent in the data capture staff and no loss of timeliness. Accuracy has been improved substantially: Less than 0.3 percent of the individual digits or letters are miscaptured and no error with significant impact on published indexes has occurred.

BLS recognized that--to meet the need to expand the PPI program to cover all major industry sectors and still respect the overall constraints on Federal staff levels--it would have to invest in new technology. Thus, the proposals for the PPI revision, which were subsequently approved by OMB and the Congress, were based on the assumption that the use of electronic scanning and other new technological approaches could be successfully implemented. Now that this has been accomplished, BLS is examining the possibility of adopting these approaches in the International Price Program.

In other areas, the Bureau is proposing to explore the use of Computer Assisted Telephone Interviews (CATI) as part of the revision of the Consumer Price Index program for which a resource request is currently pending before Congress.

FISCAL YEAR 1982 REDUCTIONS

Question: How many staff has the Bureau lost since the Fiscal 1982 budget cuts, and what impact has this had on the quality of any current data series?

Answer: In the final budget estimates for FY 1982, BLS eliminated 179 positions associated with 19 programs that were reduced or eliminated. BLS was, however, able to reduce its programs by approximately $15 million without either a reduction-in-force or furloughs. Due to the general environment of uncertainty, some 267 people left BLS during the year, with 44 leaving in the month of January alone. Although BLS has recently begun to fill vacancies, many BLS positions require relatively skilled individuals, and such individuals are increasingly difficult to recruit to Federal employment. At this juncture, the employment situation in BLS has not threatened the quality of the Bureau's basic products.

ELECTRONIC PRESS RELEASES

Question: In August 1982, the OMB Director said the Bureau of Labor Statistics planned to begin issuing major press releases in electronic form and that cost savings should result. Has BLS started using this new technology? If not, when will it start and why the delay?

Answer: The BLS introduced the Electronic News Service in September of 1982 as a service to users who need the news releases in machine-readable form. Current use of this service is limited. Approximately 30 inquiries have been made as to how to purchase the service; two accounts have been established; others are in process.

Question: What press releases are involved and what cost savings are anticipated?

Answer: In addition to the Commissioner's statement on the Employment Situation before the Joint Economic Committee, the following press releases are available through the Electronic News Release Service:

- Employment Situation
- Consumer Price Index
- Producer Price Index
- Productivity and Costs
- Employment Cost Index
- Major Collective Bargaining Settlements
- Real Earnings
- State and Metropolitan Area Employment and Unemployment
- Earnings of Workers and Their Families

The costs involved for BLS to establish this service were small: They related to the establishment of procedures to set up publicly available data sets. As this use of computer technology grows, it is possible that it will have an effect on "hard copy" distribution of data, including some savings on printing and other costs; however, the savings can not be quantified at this time.

PROGRAM IMPROVEMENTS

Question: Which statistical programs, current or future, are in need of improvement or creation?

Answer: The most significant new work that needs to be undertaken is, of course, the revision of the Consumer Price Index, a critical quality maintenance effort. A request for resources to support this multi-year plan is now before the Congress.

Further improvements are also needed in the Employment Cost Index, a relatively new measure, but a resource request will not be presented until some of the present quality improvement work has been completed.

The sample for the Current Population Survey (CPS), which supplies the monthly labor force data, also needs to be redesigned to reflect new data from the 1980 Census of Population. This work is under way jointly with the Bureau of the Census, which conducts the survey for BLS. The President's FY 1984 budget submission for the Bureau of the Census contains a request for additional resources needed to redesign all the samples for the various household surveys conducted by Census including the CPS and the Bureau's continuing consumer expenditure and point-of-purchase surveys. The latter two surveys are essential to the CPI, both the current measures and the revision.

In yet another area, the Bureau has devoted relatively little attention in recent years to the service sector, despite the fact that 7 out of 10 workers are now in service jobs. Relatively little work has been done to improve employment and price statistics for service industries. The Bureau would like to pursue development of data in this sector, as resources and budget priorities permit.

SUBCOMMITTEE RECESS

Senator RUDMAN. The subcommittee is going to stand recessed until 8:30 a.m. tomorrow when we will resume Labor Department appropriations hearings.

[Whereupon, at 9:40 a.m., Tuesday, March 1, the subcommittee was recessed, to reconvene at 8:30 a.m., Wednesday, March 2.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 2, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Byrd.

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF THORNE G. AUCHTER, ASSISTANT SECRETARY

ACCOMPANIED BY:

- **DAVID C. ZEIGLER, DIRECTOR, DIRECTORATE OF ADMINISTRATIVE PROGRAMS**
- **JOHN B. MILES, JR., DIRECTOR, OFFICE OF FIELD COORDINATION. MINE SAFETY AND HEALTH ADMINISTRATION**

PREPARED STATEMENT

Senator WEICKER. The subcommittee will come to order.

Today we will conclude hearings on the Labor Department appropriations requests for fiscal 1984 with testimony concerning the Occupational Safety and Health Administration, the Mine Safety and Health Administration, and departmental management activities, including the President's Committee on Employment of the Handicapped and the Office of the Inspector General.

We will begin with Mr. Thorne Auchter, Assistant Secretary for Occupational Safety and Health.

For all the witnesses this morning, your statements in their entirety will be included in the record. I would recommend, although you don't have to follow my advice, a synopsis so that we can get to the business of questions.

So please proceed. It's a pleasure having you here before the committee this morning.

[The statement follows:]

STATEMENT OF THORNE G. AUCHTER

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1984 appropriation request.

The agency is requesting $210,860,000, which is a net increase of $4,311,000, or 2.1 percent, over the estimate for 1983. All of this increase represents the net effect of "built-in" changes in the costs of Federal and State operations, including $2.6 million as the Federal share of increased costs for State matching grants. In 1984, OSHA will maintain essentially the 1983 level of program operations. An increase of one authorized position, for a total of 2,355 full-time permanent positions, reflects a decentralization of the payroll function within the Department.

The Occupational Safety and Health Administration will maintain its current level of inspection activity in 1984, and will continue to improve its mechanisms for targeting compliance activities. The agency will also continue to promote voluntary protection programs, to offer a wide variety of training and educational programs, and to undertake special efforts to reduce the occupational injury and illness risks of new workers and workers who have experienced recent job changes. In carrying out these responsibilities, the agency will continue to focus on efforts to improve agency management, increase accountability, enhance communications, and promote agency efficiency and purposefulness.

OSHA's ability to protect workers and improve workplace conditions depends ultimately upon well-managed programs -- not only well-meaning programs. I believe that the agency is today better managed than at any time in its history. OSHA's Integrated Management System lets everyone know what the agency has done and where it is going. We have established well-defined goals, and use statistical indicators to track progress in achieving them. In 1982, we translated these indicators into performance criteria for evaluating the agency's senior managers. In 1983, this system is being applied to OSHA's regulatory activities. In 1984, we will continue to perfect the data needed for efficient management and a balanced approach to our programs.

Our management is results-oriented, and this philosophy has permeated our redirection of OSHA's enforcement policies. With only 1,200 compliance officers to cover three million workplaces, and 46 million workers, OSHA's compliance staff must make every inspection pay safety and health dividends. In each of the two fiscal years 1983 and 1984, we expect to complete about 63,500 inspections, of which 53,900 will be safety inspections and 9,600 will be health inspections. These estimates are somewhat higher than the 1981-82 totals, and approximately equal fiscal year 1980 when 63,363 inspections were completed. We have greatly reduced the number of non-productive follow-up inspections, while increasing the number of inspections that are directed toward high-hazard industries -- construction and manufacturing -- where Bureau of Labor Statistics' data indicate the highest rates of injuries occur. This targeting policy for general schedule inspections which includes a preliminary on-site inspection of plant injury/illness records to identify workplaces with serious problems, has enabled the agency to more than double its general schedule inspections in high-hazard industries so that these inspections now make up 85 percent of all OSHA inspections.

In spite of this focus on enforcement, OSHA's real concern is not crime and punishment: it is to reduce workplace hazards. During the period of time that a contested case is awaiting a hearing or is being appealed, the employer is not required to abate the hazards that are subject to review. In 1980, nearly one-quarter of all inspections that disclosed violations were contested by employers. By the end of fiscal year 1982, under the present policy that allows employers to negotiate directly with the area director for a settlement, the contest rate was only four percent. We are settling most potential contests without litigation, and with agreements that always require abatement of the hazards cited. Employers save time and money. OSHA sends its inspectors to workplaces instead of to court. And, most importantly, workers are protected more quickly.

Much is said about regulatory reform. It does not mean eliminating all regulations, nor does it mean implementing only token regulations. It does mean that regulations must be based on solid data; that standards provide protections that employers can implement and OSHA can enforce. It means incorporating the principles of responsible regulation into the standards-setting process. The issuance and review of OSHA standards is governed by a four-step process -- a process consistent with recent court opinions and the Executive Order on Federal Regulation. Before any standard is proposed or promulgated a determination is made that: (1) a significant risk exists, (2) the standard will reduce this risk, (3) the standard is economically and technologically sound, and (4) the standard is cost-effective. Cost-effectiveness means that we use the least costly alternative among equally effective means of assuring necessary worker protection. This procedure ensures that OSHA standards will reduce significant risks to workers' safety and health through the most protective requirements that are technologically and economically feasible.

Enforcement of standards will be complemented by cooperative assistance activities fostering voluntary compliance, such as employer consultation services, developmental training projects, and voluntary worker protection programs. The Occupational Safety and Health Act calls upon government, employers, and employees to improve workplace safety and health conditions through a comprehensive and balanced agenda of government and private sector activities. OSHA will develop and implement a system to prioritize requests for consultative services, so that consultants are directed to those establishments where they will have maximum impact on OSHA's mission. A pilot program granting a limited exemption from inspections to firms that comply with the recommendations of OSHA's section 7(c)(1) consultants is being evaluated as a further means of encouraging voluntary compliance efforts. Plans are being developed to utilize OSHA's area offices as local resource centers. Within each area office jurisdiction, OSHA's area directors will be required to coordinate and carry out a balanced program of enforcement and compliance assistance activities.

Agreements are being implemented on a plant-by-plant basis that will enable firms with exemplary safety and health programs to assume major responsibility for worker protection. Some involve companies with active, highly effective labor-management committees. Others involve businesses with excellent management programs. Participants are still required to comply with all applicable OSHA standards, and both workers and employers retain their legal rights and responsibilities under the Act. Because the program gives recognition to workplaces where workers are well protected, however, OSHA's compliance staff is freed to concentrate on other workplaces where workers are less well protected.

OSHA also maintains its commitment to a strong Federal/State partnership for occupational safety and health by continuing to support final section 18(e) approval of State programs in qualified plan States. The 1984 request proposes increases of approximately five percent in 50-50 matching grants to cover the Federal share of increases in the costs of State programs. The request also proposes to clarify language in the FY 1984 appropriations bill that would make State programs eligible for final section 18(e) approval if, in addition to satisfying other criteria, their administrative and enforcement staffing levels equal or exceed the equivalent Federal staffing levels. The new language guarantees that States with approved plans cannot be required to achieve administrative or enforcement staffing levels which exceed the level determined by the Secretary to be equivalent to the Federal staffing level, nor can they be required to reduce staffing to the equivalent Federal staffing level.

If this language is enacted, we will proceed to evaluate the performance of qualified States against the "at least as effective" criteria mandated by Congress in the Act, and propose granting final approval of State programs, as appropriate. After receiving final approval, these States will have full authority to administer their own programs subject to on-going Federal monitoring and evaluation, and a continuing responsibility to respond to Federal program changes. In 1984, plan States will conduct a projected 100,800 inspections, of which 91,400 will be safety inspections and 9,400 will be primarily for health hazards.

The results of the annual BLS survey of occupational injuries and illnesses, covering calendar year 1981, were published in November 1982. For the second consecutive year, most statistical measures showed further decreases. Job-related injuries dropped from 5.5 million to 5.3 million, and the all-industry incidence rate for reported injuries and illnesses fell from 8.7 per 100 fulltime workers in 1980 to 8.3 in 1981. The number of lost workdays per 100 fulltime workers fell from 63.7 to 60.4. Injury incidence rates dropped in five of eight industry divisions. Construction and manufacturing, which have the highest injury rates, also showed the largest declines. The only increases occurred in the agriculture, forestry, and fishing division, which activities have been largely exempted from OSHA coverage by limitations imposed in appropriations actions. Work-related deaths in reporting units with eleven or more employees fell slightly for the second consecutive year, from 4,950 in 1979 and 4,400 in 1980, to 4,370 in 1981. These decreases are encouraging.

Mr. Chairman, this concludes my statement. Thank you for this opportunity to appear before the Subcommittee. I will be pleased to respond to any questions.

INTRODUCTION OF ASSOCIATES

Mr. AUCHTER. Thank you, Mr. Chairman, for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1984 appropriation request.

I have with me this morning on my right Mr. David Zeigler, Director of the Directorate of Administrative Programs, and on my left Mr. John Miles, Director of the Office of Field Coordination.

OSHA's budget request for 1984 is $210,860,000, an increase of $4,311,000 over the fiscal year 1983 budget, and a position request of 2,355 positions, an increase of 1 position over last year.

We have no program changes in mind and we have in our $4,311,000 nothing but mandatory increases. Everything else remains status quo.

I would be glad to respond to any questions that you may have, Mr. Chairman.

EVALUATION PROJECTS

Senator WEICKER. A year ago in the justification of the budget you mentioned that several research projects designed to measure OSHA's effectiveness were in progress.

Would you describe precisely what these projects are and how they measure OSHA's effectiveness?

Mr. AUCHTER. Mr. Chairman, we have undertaken a broad array of approaches to improve our management and accountability functions. We have in place today our integrated management system which sets forth objectives for the agency for the fiscal year and further translates those objectives into performance criteria for our senior and middle managers.

Every quarter we issue updates on those objectives. Currently in fiscal year 1983 we have 14 objectives for the agency that we are tracking on a regular basis, and that essentially fall under each part of our program mix. Some are general management components, some have to do with enforcement, some with standards and other functions that we perform within the agency.

I don't know if that is specifically the sort of project that you were talking about.

Senator WEICKER. Well, I'm merely referring to what you were talking about last year in the budget request. I just wanted to get a line on what these projects are.

Are there any ongoing projects included in this year's budget?

Mr. AUCHTER. All of those management functions certainly are included in the budget this year as well. We have targets for our standards activities that we are tracking in terms of quantifiable approaches; how many standards we are going to do in 1983 and 1984, and so forth. Those are on track and are part of the budget function.

We quantify everything in our program elements that we do so that for our voluntary protection objective, for example, we have target numbers for how many voluntary protection agreements we would anticipate in fiscal year 1984. We have the same sort of thing for our consultation visits. In our enforcement activities we're targeting 63,500 inspections in 1984. We are tracking those on a monthly and quarterly basis to be sure that we hit that number at least.

So in response to your question, Mr. Chairman, yes sir, across the board we are tracking on a regular basis and quantifying the results of our decisions in OSHA.

BENCHMARK LANGUAGE

Senator WEICKER. You are proposing legislative language to permit States to gain final autonomy from Federal OSHA similar to language rejected by the conferees on the continuing resolution last December. What effect does this language have on the court decision in *AFL–CIO* v. *Marshall*?

Mr. AUCHTER. The language does two things. Mr. Chairman, you're correct when you say that it is similar. But it is not exactly the same.

First, there was a concern raised during that discussion on the continuing resolution that if that benchmark language were inserted into the bill that it may require at some times States to actually cut their staffing level. That was never our intention. So the language that we have proposed clearly states that where a particular State does exceed its benchmark it would not have to cut its staffing level. In other words, we would continue to fund at the existing level.

So we believe we have taken care of that concern.

Second, in that court decision there is language which in essence says that Congress in funding State programs can preclude the States from reaching their benchmark level. If that is the problem and that is the decision of Congress, then that should not be an impediment to final approval provided that the States are being funded and staffed at levels equivalent to the Federal staffing levels.

That's the purpose for our benchmark language, because we feel that it is an appropriations question. If the States had the money they would meet their benchmark staffing levels. Simply because the funds do not exist does not mean that the States are not doing an adequate job and an appropriate job relative to the intent of Congress in the Occupational Safety and Health Act.

So we have requested this benchmark language to say that where States have staffing levels comparable to the Federal staffing level and the rest of their program is in shape, then they are clear and qualified candidates for final approval of their State plan.

Senator WEICKER. Have you taken this matter up with the authorizing committees?

Mr. AUCHTER. No, sir, we have not.

Senator WEICKER. Why not?

Mr. AUCHTER. Because we believe that it's an appropriations question.

Senator WEICKER. Let's explore this, because this is really the nub of many problems as I see them, and I think as others see them. Clearly what you are talking about is legislation. There is just no question about it.

Just so you don't feel that I am picking on you, I and a few others, including the chairman of the overall committee, are very strong on the subject of legislation on appropriations bills. We don't want any of it here. I don't want to change OSHA through the appropriations process; I don't want prayers in schools through the appropriations process; I don't want to eliminate busing through the appropriations process. I don't want any legislation. If you want to change OSHA, fine. I'm not saying I wouldn't be in opposition. I probably would be. But let's do it through the authorizing process. That is exactly what the Labor and Human Resources Committee is there for.

I suppose what I find difficulty with is that either through regulatory administrative type changes or through this type of proposition the administration tries to achieve a quick change in the substance of the laws. I question the commitment of the administration on the whole general concept of OSHA.

Do you feel that the State programs would be as effective as the Federal programs if the States had autonomy in these matters? Do you think the States would go ahead and do the job?

APPROVING STATE PROGRAMS

Mr. AUCHTER. Absolutely. I think the States are doing the job today. I believe that clearly the benchmark decision has been an impediment to carrying out the intent of Congress. I believe that the law speaks very clearly to the fact that if States meet certain criteria they should have section 18(e) determinations under the law. That's the reason Congress put the provision in there.

I believe that other administrations have not pursued that vigorously, and I don't think that's appropriate. OSHA has been in existence for 12 years now and no State has ever, ever been given final approval. I don't think that was the intent of Congress.

Senator WEICKER. Why haven't they gotten final approval?

Mr. AUCHTER. Because other administrations didn't want to give them final approval. We are going to proceed with final approval. We have two trust territories and one State that do meet the court-required benchmarks today. We are making the necessary review and publishing in the Federal Register that we intend to go ahead with final approval for those three different entities.

I would like to read you, Mr. Chairman, the language in the court decision. This is not legislation; this is not legislative change. If it were, I'd be talking to the authorizing committee.

The court in the benchmarks decision said:

> We realize that the Secretary may draw up his plan and find at some point in the future Congress is unwilling to appropriate the funds requested. The significance of such actions will depend on the nature of the congressional action and its history. It may reflect a congressional estimate that the same goals may be achieved with less expenditure through greater efficiency. However, it may evince a legislative judgment that the administrative goal was excessive. If Congress approves only *x* percent of the Secretary's benchmark, a legitimate corollary would be the Secretary's approval of State plans that provide detailed assurances to meet at least *x* percent of the Secretary's benchmark during the appropriate timeframe.

That's the language that we are addressing in this benchmarks rider proposal, so that if the States are doing what we're doing, then from a staffing level standpoint we feel that they are appropriate candidates for final approval.

Senator WEICKER [reading]:

> Provided, that, notwithstanding any other provision of law, none of the funds appropriated under this paragraph shall be obligated or expended to enforce or prescribe as a condition for initial, continuing, or final approval of State plans under section 18 of the Occupational Safety and Health Act of 1970, State administrative or enforcement staffing levels which are greater than levels which are determined by the Secretary to be equivalent to Federal staffing levels, nor to require States to reduce staffing that exceeds these levels.

Is that part of your language?

Mr. AUCHTER. Yes, sir.

Senator WEICKER. Don't tell me it's not legislation. That's legislation, pure and simple.

Mr. AUCHTER. We don't believe that it is, Mr. Chairman.

Senator WEICKER. Well, I believe it is.

Mr. AUCHTER. We are attempting to address the question of the numbers.

Senator WEICKER. I know what you are trying to do.

Mr. AUCHTER. That's what the benchmarks language did.

Senator WEICKER. I know what you are trying to do. Go ahead and do it. Or try to do it. But do it the right way. I'm not here to argue that point. I'm here to go ahead and satisfy dollar requests, to pass upon them, to satisfy them, to reject them. I don't want to get into anything such as you've got right here at all. That's not the job of the subcommittee. It's really not the job of the committee as a whole. So I just suggest to you that if this is what you have in mind, then you had better start getting your legislation right up to——

Mr. AUCHTER. Better have plan B ready.

Senator WEICKER. Well, plan B, but you had better get plan B going, because nothing is coming out of here like that.

INCREASED STAFFING

Mr. AUCHTER. Let me take one last run at you, if I could.

If we were to attempt to fund the States under the benchmarks decision we would have to increase the States' staffing levels about 54 percent on the safety side and 423 percent on the health side. That's what that benchmark decision did as far as final approval goes. That's not to say that if we were able to grant final approval with the proposed language in place—if we grant final approval and the funds become available later on—that the States would not still have to move toward staffing up at that time once the funds become available.

Last, final approval does not mean that the States are no longer monitored by Federal OSHA. We are putting in place a comprehensive computer-based system that will allow us to continue to interface with the States and look at their statistics, and they will look at ours and so forth on a regular basis. So there will be a continuing tie between us and the States.

Senator WEICKER. Aside from the fact that there are many people both in the Congress and certainly in the administration that feel that we have a lot of regulations out there that just dropped from on high and have no purpose, I would say probably about 90 percent of the laws and regulations that have come to pass have come to pass by virtue of a specific need, a specific request. As far as the safety of workers in the work place is concerned, the States did not do the job adequately before OSHA, and there has been no millenium out there, believe me, among employers that would lead me or anybody else to believe that in the absence of a Federal role they are going to be adequately protected.

I realize that everything is supposed to be accomplished by States and by volunteerism and by the private sector. I think that is just great as far as it goes. But invariably OSHA came to pass because that wasn't being accomplished by any of those segments of the national structure.

I will say one thing for this administration, they persevere. They are absolutely consistent in their approach toward this type of commitment by the Federal Government, whether it's OSHA, whether it's the retarded and handicapped. They are absolutely consistent in just wanting to turn the clock back 50 years and let matters take care of themselves.

We will now continue to go over the budget dollar questions. But I am sincere when I tell you that there will be no legislation on this part of the appropriations bill except what you people try to slap on in the Senate itself.

So if you desire this type of legislation, I would suggest to you that you get cranked up and present it in the normal way.

NEW DIRECTIONS GRANTS

New directions grants are intended to be seed money to develop employee health and safety programs which will continue after Government financial assistance is stopped.

How many health and safety programs have made it on their own after Government funds were cut off?

Mr. AUCHTER. Mr. Chairman, this is when the grantees would be in their fifth year. These are 3- to 5-year developmental programs. 1983 is the year when the original group of grantees are finally getting into that fifth year funding cycle.

We would expect 15 to 20 to qualify at the end of fiscal year 1983, that is, to come out of the funding cycle. That is 15 to 20 out of the approximately 103 that we currently have. So we're looking forward to that.

But also the recession has hit some of those grantees pretty hard. So we'll have to take a look at that as well. Some of those 15 to 20 may come back in for another year of funding.

Senator WEICKER. What benefits have been derived from these grants?

Exactly what do these grants entail?

Mr. AUCHTER. Well, this is the way that OSHA has to reach out to new organizations or existing organizations to put in place new safety and health programs. We deal with grantees all over the country. They are labor organizations, universities, employer associations, and nonprofit groups. So it's a way to create and deal with new organizational participants in occupational safety and health around the country.

Senator WEICKER. Why don't you give me an example? Give me a specific example.

Mr. AUCHTER. Steel workers. The steel workers have a grant.

Senator WEICKER. What are they supposed to do with that grant?

Mr. AUCHTER. Well, they put together safety and health training material for their people. They will give that material to their apprenticeship programs, which will be a component. We have a strong labor-management component in many of these grants now, so that if the grant is given to a labor organization they are strongly encouraged to deal with management once they have put together whatever particular sort of training component it is that they are trying to create.

The oil, chemical, and atomic workers employ with the help of their grant an occupational physician, a couple of industrial hygienists, and so forth to teach their people from around the country hazard recognition in relation to the sorts of procedures, processes, and so forth that their members might be exposed to in the industries that they service.

There is a construction management group in Chicago that with their grant funds put together a trailer that is in essence a classroom on wheels. They take it to job sites and run training films on safety and health programs. It's an outreach approach.

Those are various sorts of operations.

PROGRAM RESULTS

Senator WEICKER. Could you tell what specifically we can point to that has come out of this funding?

Mr. AUCHTER. Well, we can point to increased awareness about safety and health issues and about OSHA rights and responsibilities on the part of both labor and management. It's a continuing educational process.

The reason that we support this grant program is because it provides seed money; it is a rollover funding approach. The grantees are not to continue to be involved with OSHA over the years. They have to show they are going to be fully independent of Federal funding within this 5-year developmental period.

So a grantee in the beginning of the first year may get $50,000 for a planning grant. Our people would work with the grantee to define needs and resources for the next 4-year period. We would then increase the funding in the second year; they would begin to put some money in. The third year we would increase our funding and they would put theirs in. The fourth year we would generally decrease our funding level and their funding level would go up. The fifth year we would have the smallest component yet; they would have the largest. The sixth year they would be terminated, and would have in place an organization for safety and health that has over a 5-year period developed the funding to continue to be independent and deal with these areas.

The industries that we are targeting, by the way, are primarily construction and manufacturing, which is where we are putting most of our resources today. We hope that this will assist, and we think that it does assist in bringing down the lost work day case rates. That's what we're targeting across the board as our principal measure of effectiveness.

So as a supplemental effort this is a way that people can be involved and get new organizations involved and keep them ongoing after the Federal funds have moved on to other locations.

ONSITE CONSULTATION VISITS

Senator WEICKER. How long does an onsite consultation take to complete as compared with a regular inspection.

Mr. AUCHTER. It varies tremendously. I don't know the answer to that, frankly.

Senator WEICKER. Well, let's see if we can get something for the record on that.

[The information follows:]

AVERAGE CONSULTATION VISIT

Onsite consultation visits and inspections take approximately the same amount of time to complete. The average safety consultation visit takes approximately 11 hours, the same as the average time for an OSHA safety inspection. The average health consultation visit takes about 30 hours, which also compares closely to the average time for an OSHA health inspection if the additional time for a formal closeout conference concerning the industrial hygiene laboratory results is excluded.

COST EFFECTIVENESS OF ONSITE CONSULTATION

Senator WEICKER. What is the cost effectiveness in terms of dollars spent per injury reduction of onsite consultation as compared with Federal and State enforcement respectively?

Mr. AUCHTER. We will try and come up with something for the record, Mr. Chairman, but I don't know if we can quantify that.

Senator WEICKER. All right.

[The information follows:]

COST EFFECTIVENESS

Occupational safety and health experts generally agree that onsite consultation programs play an important role in reducing work-related injuries and illnesses. It is not feasible, however, to quantify the effects of OSHA's onsite consultation program. There are many complex factors which significantly influence the incidence of occupational injuries and illnesses. Some of these are: technology; management style and commitment; labor/management relations; workers' injury/illness compensation programs; changes in employment and the composition of the labor force; and changes in the number of young and/or inexperienced workers in the labor force. Nor is there presently any credible way of measuring the relative effects of training and education, in-plant worker protection programs, and the various other voluntary compliance activities that the agency undertakes and promotes in addition to making inspections, in order to carry out a comprehensive program of Government and private sector activities which affords full and balanced use of the authority vested in OSHA by the Occupational Safety and Health Act.

COTTON DUST STANDARD

Senator WEICKER. What is the status and projected rulemaking schedule for your cotton dust standard?

Mr. AUCHTER. We expect to publish the proposal on cotton dust within the next month to 6 weeks; we expect the record to be open for comments for about 6 months after that; the final rule, I would say, will be published in the fall of this year.

Senator WEICKER. What effective changes do you expect to make in the existing standards?

Mr. AUCHTER. Of course that remains to be seen, based on the public comment. But the approaches that we are taking are generally these:

One, the question of the industries covered. The cotton dust standard as originally proposed was supposed to cover seven industries. Court actions and actions by OSHA over the years have changed that. And other studies have come out. The scope of the standard is one of the things that we are looking at.

Another area that we are looking at is the cost effectiveness of the standard: Is there a better way, based on the knowledge that we have today, to reduce or eliminate the negative health effects on the employees covered with the same or better level of protection. That certainly raises the question of engineering controls versus personal protective equipment. We're looking at that as well.

OSHA EMPLOYMENT

Senator WEICKER. What is the total employment in OSHA right now in fiscal year 1983?

Mr. AUCHTER. About 2,240, right around there.

Senator WEICKER. What was it in fiscal 1982?

Mr. AUCHTER. About 2,230.

Senator WEICKER. And you've contemplated for fiscal 1984?

Mr. AUCHTER. About 2,285.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have no further questions. Thank you very much. There will be other questions which will be submitted for response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

UNOBLIGATED FUNDS

Question: You returned only $34,000 to the Treasury in 1982. This could be considered as an indication of good money management. However, the Employment and Training Administration, the Mine Safety and Health Administration, Departmental Management and so forth all returned substantial amounts to the Treasury. We understand that this was due in large part to the fact that the funds were made available well after the start of the fiscal year. How did you manage to obligate almost all of your funds when so many other bureaus within the Department turned back substantial amounts to the Treasury?

Answer: A combination of factors enabled OSHA to use all but $34,000 in FY 1982. OSHA has successfully implemented a formal system of key management indicators. This system enables the agency to better plan its activities and financial requirements for meeting stated objectives. In conjunction with this system, OSHA's financial management personnel closely monitor all aspects of agency spending. In addition to these on-going systems for financial control, the agency's money management benefited from the fact that in FY 1982 OSHA did not have to seek emergency supplemental funds as did many of the other agencies in the Department of Labor. As a result, OSHA's general budget level was known early in the year. Plans could be made to effectively utilize budgeted resources without the uncertainty faced by other agencies awaiting decisions on their supplemental requests.

FEDERAL ENFORCEMENT/RECORDS CHECK PROGRAM

Question: How much time does it take for OSHA to conduct an inspection that terminates in a records check?

Answer: The average length of time required for an inspection that is terminated after an examination of plant injury/illness records, and a closing conference, is 6.3 hours. Since the outcome cannot be known in advance, these inspections require the same amount of preparatory effort, including travel, as do comprehensive high hazard inspections. Moreover, record inspections are not limited to a calculation of plant injury rates. Opening and closing conference meetings with the employer and with employee representatives provide an opportunity to discuss specific safety and health issues, and to review the types of assistance available under the Occupational Safety and Health Act.

Question: Why haven't you increased your efficiency in accomplishing records checks so as to increase your inspections by a compensatory 25 percent?

Answer: OSHA conducted 61,600 inspections in FY 1982, up from 57,000 inspections in FY 1981. Record inspections accounted for 8,447 of these inspections, or about 14 percent of the total. OSHA's comprehensive high hazard inspections, which take an average of 13.7 hours to conduct, increased from 36,135 in fiscal year 1981 to 42,530 in fiscal year 1982, or about 70% of the total number of inspections. All of the record inspections, however, were made in manufacturing industries. For these industries, the average comprehensive safety inspection required 22.4 hours to complete.

NEW DIRECTIONS GRANTS

Question: Sometimes in the past, funds for New Directions training grants have been held back until very late in the fiscal year. What kind of programs are you funding now, and how are you assuring that they are receiving funds in a more timely fashion?

Answer: The New Directions program provides grants to help non-profit organizations develop competence in delivering safety and health training to their constituencies. Labor organizations, employer associations, educational institutions, and other non-profit organizations provide services which address specific occupational hazards faced by workers in particular industries, occupations, and activities. The ultimate goal is to develop institutional capabilities for providing safety and health training in areas not served by existing resources.

There are two groups of New Directions grantees. The first group of grantees was initially funded in October 1978 and comes up for renewal each October. The second group was initially funded in August 1980. Therefore, approximately one-half of the New Directions funds each fiscal year are held until August for this second group of grants. Funding these grants this late in the fiscal year does not disrupt the grantees' programs.

SAFETY AND HEALTH STATISTICS

Question: How do you collect your safety and health statistics?

Answer: Nationwide statistics on job-related fatalities, injuries and illnesses are collected by the Bureau of Labor Statistics under a reimbursement agreement with OSHA. Fifty percent matching grants are provided 46 State agencies to collect injury and illness statistics at the State level under BLS's direction. Annual statistical surveys are conducted of a nationwide sample composed of approximately 280,000 employer units. Excluded from the survey are self-employed individuals; farmers with fewer than 11 employees; employers regulated by other Federal safety and health laws; and Federal, State and local government agencies. BLS also collects supplementary injury and illness data from worker compensation reports in 33 participating States. Special in-depth surveys of selected types of injuries are made at OSHA's request to obtain causal information for particular purposes, such as the development of standards.

Question: How do your safety and health statistics differ from those of the Bureau of Labor Statistics? How do you use your figures?

Answer: There is no duplication of statistical activities. Basic data collection and processing activities are performed by BLS. These data are used by OSHA to identify program needs and measure the impact of activities conducted under the Act, to develop standards, to target enforcement and compliance activities, and for regulatory analyses. Special statistical studies and analyses are conducted as necessary. In addition, data relating to OSHA and State program's operations are compiled and disseminated through the agency's Integrated Management Information System. In some areas, such as enforcement targeting and policy studies, elements from the BLS and OSHA data bases are combined.

Question: Specifically, how are you using your safety and health statistics to evaluate the relative importance of OSHA's standards in reducing workplace injuries and illnesses?

Answer: As the first step in promulgating a standard, data on job-related injuries and illnesses are analyzed to determine whether a significant risk exists. State worker compensation reports are screened and evaluated in terms of the likelihood that standards will reduce this risk. OSHA's violation statistics are correlated with BLS injury/illness data to evaluate the impact of compliance.

Several studies over the past ten years have indicated that compliance with standards prevents at most 30 percent of all occupational injuries. On the other hand, a July 1982 study of work-injury rates and employment patterns showed that nearly one-half of all job-related lost workday injuries and illnesses recorded during calendar years 1973-80 involved workers with less than twelve months of experience on the particular job--suggesting a need for additional training requirements. It is not possible to quantify these effects with any degree of precision. Nevertheless, the BLS survey of occupational injuries and illnesses for calendar year 1981, published in November 1982, does show a continuing decline in overall incidence rates for the second consecutive year, totaling about twelve percent.

TECHNICAL SUPPORT

Question: What type and how many regulatory analyses are you conducting on substances for which OSHA already has standards on the books?

Answer: We have recently been engaged in reviews of arsenic, cotton dust, lead, hearing conservation, coal tar pitch volatiles, and proposed changes in OSHA's cancer policy, with the intention of assessing risk, feasibility and cost effectiveness. Major efforts are also being devoted to the study of additional hazards such as asbestos, ethylene oxide, ethylene dibromide, formaldehyde, and radio-frequency radiations.

Question: What type and how many regulatory analyses are you conducting on new substances (for which standards have never been previously proposed or promulgated)?

Answer: The hazard communication standard covers several hundred thousand substances, the majority of which are not currently regulated. Other than analyses conducted for this standard, no regulatory analyses have been conducted by the agency for substances that were not previously regulated. This is because these substances were included in the consensus and established Federal standards that OSHA adopted without public comment or analysis during the first two years following the effective date of the Act, pursuant to section 6(a). These standards are codified at 29 CFR 1910.1000, Tables Z-1, Z-2, and Z-3.

Of the many substances for which exposure limits have been assigned, only a few were subjected to the detailed, public analysis required for rulemaking under Section 6(b) of the Act. Many of these standards are obsolete, given advances in science and technology. Thus, while there may be a standard on the books for a particular substance, this does not mean that there is adequate protection or that the rule is necessarily feasible, let alone the most cost effective of various equally protective alternatives.

Question: How are your regulatory analyses examining benefits to be derived from a specific standard? How are they weighing the value of a life saved or a limb not lost?

Answer: The agency assesses the risks associated with various levels and types of hazardous exposures. These risk assessments are combined with estimates of populations at risk, as well as levels and durations of exposure, to provide rough calculations of the potential magnitude of disease or injury associated with various exposure levels. OSHA does not attempt to quantify the value of human life and limb. In conformance with the Supreme Court ruling on cotton dust, OSHA performs cost-effectiveness rather than cost-benefit analyses of health standards. This means that the agency compares the costs of alternative means of achieving equivalent levels of worker protection. The optimum level of worker protection is set on the basis of risk and feasibility, rather than by comparing costs versus monetary benefits.

Question: Give examples of how your technical support people make variance determinations. Isn't this something that is often judgmental, rather than based on strictly quantifiable evidence?

Answer: Section 6(d) of the Occupational Safety and Health Act requires the proponent of a request for a variance to demonstrate by a preponderance of the evidence that his proposal will provide employment as safe and healthful as would prevail if he complied with the standard. In most instances, the applicant can supply sufficient data to enable OSHA's technical staff to make a determination. These data may consist of engineering analyses, design specifications, or environmental monitoring and medical information. If any doubts remain after a review of the applicant's data, an onsite inspection is conducted where feasible by appropriate technical staff, such as medical, engineering, or industrial hygiene personnel. Their recommendations are considered in reaching a final determination.

VOLUNTARY COMPLIANCE

Question: How much are your new voluntary compliance programs such as STAR, PRAISE, and TRY costing you to oversee on a per-business-participant basis? How much expansion in their use do you anticipate in the coming year?

Answer: In an effort to balance enforcement activities with positive actions, OSHA has developed the voluntary protection programs STAR, TRY, AND PRAISE. These programs recognize employers with the best safety and health programs, and those the agency can help to have the best programs. A variety of methods are needed to assure safe and healthful working conditions. These programs are far more effective in encouraging employers and employees to reduce occupational safety and health hazards in their workplaces, and in stimulating them to institute new or perfect existing programs, than would be dependence solely upon the enforcement approach. Since these programs go beyond the minimum requirements of OSHA standards, we expect to get more than mere compliance. The companies whose programs qualify will serve as models for others who may not apply, but may nevertheless pattern their safety and health programs after these successful ones.

Because these programs are new, OSHA staff have been involved primarily in the review and approval process. Eleven sites have been approved to date for participation in the three programs. We expect between 30 and 50 participants by the end of 1983, and perhaps the same number of new participants each year thereafter. Based on the number of approvals thus far and the staff work involved, the cost per project is approximately $3,000 including travel and overhead costs. This is a start-up cost, not a per-year cost, and has been calculated while the agency is on a learning curve. To handle the anticipated expansion may require approximately five full-time people in the National Office and possibly one full-time person in each region.

INFORMING WORKERS OF EXPOSURE TO HAZARDOUS SUBSTANCES

Question: How does OSHA's new proposal for a rule on informing workers of their exposure to hazardous substances differ from the old rule?

Answer: The following major changes have been proposed to the rule on access to employee medical and exposure records:

First, the new proposal narrows the scope of the rule to clarify that only employees whose work involves direct--rather than incidental--exposure to toxic substances or harmful physical agents will be covered;

Second, the proposal defines the term "toxic substance" to be a substance that is: (1) known by the employer to be harmful; (2) described as toxic on a material safety data sheet available to the employer; and/or (3) listed in the National Institute for Occupational Safety and Health's "Registry of Toxic Effects of Chemical Substances" and likely to be of occupational significance as determined by certain specified toxicity criteria. About 3,500 of these substances, determined by easily applied and well recognized toxicity criteria, are of occupational significance and fall within the proposed definition;

Third, it excludes from the definition of "exposure record" purchase orders or inventory-type records of chemicals which have proved to be of minimal public health value, but which present a significant recordkeeping burden and trade secret concern. Instead, the proposal requires the employer upon request to disclose the identity of any toxic substance to which an employee is currently exposed;

Fourth, it limits the retention requirement for medical records to the duration of the employee's employment plus five years or a total of 30 years, whichever is longer--instead of employment plus 30 years. In addition, persons employed less than one year, and construction workers, would be given their records upon dismissal with no further employer retention requirements;

Fifth, it allows employers to withhold the identities of trade secret chemicals which are not mutagens, teratogens or carcinogens, or known to cause "significant irreversible damage to human organs or body systems." If a treating or consulting physician needs the trade secret information, however, it must be made available;

Sixth, it permits the use of microfilm X-ray records when the microfilming is performed under the direct supervision of a certified radiologist or pulmonary specialist. In addition, the agency is proposing to exclude X-rays of broken bones and normal chest X-rays, other than baseline X-rays. Currently all X-rays must be retained in their original state.

Finally, the new proposal excludes records of first aid and emergency treatment from the definition of "employee medical record," since these records have little value in tracking employees' health throughout employment.

Question: How would the new rule afford more protection to workers?

Answer: The July 13, 1982, proposal provides essentially the same protection to workers as the 1980 standard, but reduces the complexity and burden of certain current requirements which discourage employers from creating important occupational health records. The current regulations have been the subject of court challenges and petitions for modification. In proposing changes, the agency is seeking to respond to legitimate concerns raised by the petitioners, while preserving the public health benefits of the rule.

HAZARDOUS SUBSTANCES LABELING STANDARD

Question: Please outline the basic differences between your proposed new hazardous substances labeling standard and the last labeling standard proposal.

Answer: The following chart presents a comparison of the 1981 "Hazard Identification" proposal and the "Hazard Communication" proposal that was published in the Federal Register on March 19, 1982.

COMPARISON OF HAZARD COMMUNICATION PROPOSALS

	January 1981 Proposal	March 1982 Proposal
Emphasis:	"Hazard Identification."	"Hazard Communication."
Coverage:	Manufacturers and repackers; all chemical products.	Manufacturers; all chemical products.
Hazard Evaluation:	Specific; all manufacturers.	Performance oriented; chemical manufacturers only.
Labeling:	Specific label requirements; existing systems changed.	Less specific label requirements; no change to existing systems.
Trade Secrets:	All ingredients must be listed.	Limited exemptions; confidentiality agreements.
Education & Training:	No provision.	Performance-oriented requirements.
Recordkeeping:	Extensive.	Limited.
Startup Costs:	$2,597 million ($185 per employee)	$582 million ($41 per employee)
Annual Costs:	$1,254 million ($89 per employee)	$228 million ($16 per employee)
Present value cost: (40 yr./ 10% discount)	$22,864 million	$2,648 million

A detailed comparison is presented in the preamble to the new proposal. It should be noted that neither proposal directly covers workers engaged in construction, transportation, research laboratories, agriculture, or the medical profession.

Question: When do you anticipate final issuance?

Answer: We expect to publish a final rule by summer 1983.

ASBESTOS EXPOSURE

Question: Has the Department of Labor made any estimates of the human and financial cost of asbestos exposure?

Answer: Some preliminary estimates of the human and financial costs of asbestos exposure have been developed by the Department. These estimates represent only the quantifiable aspects of illnesses attributed to asbestos. Many impacts of these debilitating diseases cannot be quantified.

A recent study was conducted by Dr. Irving Selikoff of the Mount Sinai School of Medicine, with funding provided by the Department's Assistant Secretary for Policy, Evaluation and Research. In this study, the social costs identified included the loss of labor force output due to illness or premature death. Private costs were estimated by subtracting income the worker would have consumed from after tax income loss. The present values in 1981 dollars of the average losses per disabling illness associated with asbestos, using a discount rate of five percent, were estimated to be $127,151 for private costs and $172,213 for social costs per worker.

Some of the economic costs per case of illness attributed to asbestos exposure, including asbestosis, bronchogenic carcinoma, mesothelioma, and gastrointestinal tumors, were estimated by the Research Triangle Institute (RTI). These estimates included the direct costs of diagnosis and treatment, and the indirect costs of lost earnings and productivity. The present value in 1977 dollars, using a six percent discount rate, ranged from $57,365 to $418,373 per case.

SAFETY AND HEALTH STANDARDS

Question: Since OSHA has issued no new health standards in the past year, why is it necessary to budget money for this activity?

Answer: Comprehensive health standards go through many phases from inception to publication as a final rule. Although no final standards were published in the Federal Register during fiscal year 1982, a number of important standards were in the development process during this time. OSHA also held public hearings on the records access and hazard communication proposals. As a result of the work done in fiscal year 1982:

1. A final rule governing the use of qualitative fit testing under the lead standard was published in November 1982;

2. A final rule on the use of personal sampling devices was published in December 1982;

3. The final arsenic risk assessment and a modification of the interpretive rule for coal tar pitch volatiles were published in January 1983.

4. The hearing conservation amendment will be published on March 8th.

In addition, OSHA intends to publish final standards on hazard communication and records access by this summer. Proposals for the lead, ethylene dibromide, and ethylene oxide standards will also be published this summer. A proposal to revise the cotton dust standard is at the Office of Management and Budget for review. It is important to note that the Regulatory Flexibility Act requires agencies to review their standards periodically, to assure that they are still needed and still effective.

Question: A Department of Labor issuance over a year ago indicated that about 75 percent of OSHA's health standards staff would be devoting full time efforts to re-evaluating existing health standards. What does OSHA see as its responsibility to businesses to develop guidelines on worker exposures for the 40,000 or so other toxic chemicals in the workplace?

Answer: Although there are over 40,000 toxic chemicals listed in the National Institute for Occupational Safety and Health's "Registry of Toxic Effects of Chemical Substances," less than ten percent are of major significance in the workplace. To deal with toxic chemicals of occupational importance, OSHA will continue to promulgate health standards where such action is necessary and can be supported by objective criteria. In addition, OSHA has developed two important "generic" standards to protect employees through information and training requirements. These standards provide workers access to employee exposure and medical records, and mandate communications to workers concerning hazardous substances in the workplace. Finally, in conjuction with the National Institute, OSHA has published non-regulatory guidelines for over 300 toxic substances commonly found in the workplace.

MINE SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF FORD B. FORD, ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

ACCOMPANIED BY:
THOMAS J. SHEPICH, DEPUTY ASSISTANT SECRETARY
RICHARD L. BAKER, BUDGET OFFICER, DIVISION OF BUDGET AND FINANCE, OFFICE OF ADMINISTRATION AND MANAGEMENT

PREPARED STATEMENT

Senator WEICKER. We will now have the Mine Safety and Health Administration, Mr. Ford Ford, testify. Your statement in its entirety will be included in the record. Proceed anyway you deem fit and please introduce those that accompany you to the table.

[The information follows:]

STATEMENT OF FORD B. FORD

I am pleased to appear before you to present the 1984 appropriation request for the Mine Safety and Health Administration.

Our request for Fiscal Year 1984 totals $148,032,000 and 3,184 positions to conduct mine safety and health activities. This is a decrease of $4.3 million and 224 positions from 1983. These reductions are based in part on proposed changes to the Federal Mine Safety and Health Amendments Act of 1977 and in part on more efficient utilization of available resources.

Before I present MSHA's specific activity requests for Fiscal Year 1984, I would like to briefly outline MSHA's authorities and responsibilities for mine safety and health and to relate my plans for the agency.

My view of MSHA's proper role in the overall mine safety and health program is to improve the safety and health conditions in the mines through the concerted, cooperative efforts of management, labor, and government. I believe that this comprehensive approach will allow us to target our resources and create an environment in which MSHA can make a more positive contribution to mine safety and health.

The Mine Act provides MSHA with many different tools to help industry and labor prevent accidents, injuries and illnesses in the Nation's mines. In addition to inspection activities, many other tools are available to encourage and assist the mining community. These tools include consultative options, technical assistance, and education and training activities as well as regulatory authority.

The mining community has now had five years experience with the Mine Act. I believe that we in the mining community are now in a position to review that experience, to determine which of these tools are working to improve safety and health, and which could work better. Additionally, President Reagan has made a commitment to improve the efficiency of Government and reduce unnecessary burdens on our industries as well as improve health and safety. For these reasons, I believe that a comprehensive review of MSHA's policies, regulations, and statute is appropriate. The review should involve all concerned parties--labor, industry and others. That cooperative effort has been, and remains, one of my major goals for MSHA in the next two years.

MSHA's budget proposal contains two important areas of emphasis in support of these goals. One is legislation. The second is regulatory reform.

Recently, I outlined legislative suggestions to the Mine Act before the Subcommittee on Safety and Health, ones we at MSHA have been discussing the last 11 months. The proposals cover more flexibility in training requirements, in determining the frequency of inspections at surface mines, civil penalties for nonserious violations, and consultative compliance assistance at producing operations.

Currently, we have five key regulatory review projects underway. These include review of: metal and nonmetal mine safety and health standards, safety standards for coal underground mines, training regulations, reporting and record keeping requirements, and an alternative program for equipment approvals.

The purpose in all these regulatory review projects is the same--to provide the mining community with an effective set of standards that protect miners, that are clear and easy to work with, and that avoid burdening the mining industry with requirements that do nothing to improve miners' protection.

Enforcement

A total of $103.3 million and 2,485 positions is requested for enforcement activities in both coal and metal/nonmetal mines. These resources will provide for an estimated 27,628 complete health and safety inspections. In addition to these inspections, 83,926 other follow-up inspections, investigations and education and training activities will be conducted to assure that violations against health and safety standards cited during the regular inspections are corrected and that mines are operated in a safe and healthful manner.

The Coal Mine Safety and Health program will complete an estimated 9,200 regular inspections of underground mines in both 1983 and 1984. The number of regular surface inspections is estimated to decrease by 1,910 between 1983 and 1984, from 7,650 to 5,740, reflecting legislative proposals to the Mine Act that provide Secretarial discretion in determining the minimum number of mandatory inspections at surface mines.

During 1983 and 1984, the Coal activity will continue its Non-Fatal Days Lost accident reduction program initiated in 1982 to concentrate on problem areas in accidents. Under this program, mines with high injury incidence rates are assigned MSHA specialists to work with mine management, miners, and miners' representatives in analyzing work procedures, training programs, mining techniques, and past accidents to determine where improvements can be made. Experience to date shows significant reductions in overall injury rates at the targeted mines. The affected mining community enthusiastically supports this effort by MSHA.

The Metal and Nonmetal Mine Safety and Health activity will complete an estimated 12,688 regular inspections in 1984 compared to 14,638 in 1983. An estimated 9,316 other inspections will be conducted in 1984 compared to 10,439 in 1983.

The decline in both types of inspections is attributable to legislative proposals to the Mine Act which would provide Secretarial discretion in determining the minimum number of mandatory inspections at surface mines and to more efficient utilization of resources.

The Metal and Nonmetal program activity will continue its Compliance Assistance Visits (CAVs) and Program in Accident Reduction (PAR) in 1983 and 1984. Both programs have proven to be highly successful. CAVs are widely accepted throughout the metal and nonmetal mining industry and the PAR program is increasingly effective in reducing lost time and disabling injuries.

During 1983 and extending into 1984, a review of all metal and nonmetal standards will be continued to determine their overall and individual adequacy and effectiveness and key regulatory reform actions will be undertaken. Additionally, MSHA will implement regulatory reform which will propose an optional certification program for the approval of certain equipment used in underground mines. MSHA will also continue the review of underground coal mine safety standards and the regulations governing the training and retraining of miners.

Assessments

A total of $2.2 million and 63 positions is requested for the Assessments program for fiscal year 1984. This is a reduction of $317 thousand and nine positions from 1983.

This reduction reflects decreasing workload requirements as a result of proposed amendments to the Mine Act and of more efficient utilization of resources.

In both 1983 and 1984 the Assessments activity will continue to assess civil monetary penalties for all violations of the Mine Act in a timely manner, to process civil penalty cases, and to collect and account for all penalties paid.

Improvements in debt collection of civil monetary penalties will be stressed in both 1983 and 1984 to increase the effectiveness of the assessment program.

During 1983 and 1984 MSHA will continue to operate under new assessment regulations issued during 1982. These regulations established a system of fixed single penalties of $20 for violations of health and safety rules for non-serious violations, excluded from the operator's history of violations those assessed the minimum penalty and those contested, awarded greater "good faith" credit for timely efforts to correct violations and included seperate point scales for independent contractors in the penalty point system.

Educational Policy and Development

A total of $12.1 million and 107 positions is requested for Educational Policy and Development (EPD) in fiscal year 1984. This decrease of $305 thousand and three positions from 1983 reflects increased efficiency of operations resulting from program changes implemented as part of the agency reorganization in 1982.

During 1984 emphasis will be placed on developing and tailoring education and training programs to complement the expanded assistance role of the MSHA district manager and operating the National Mine Health and Safety Academy.

A total of $5.5 million is included for the State Grants program in 1984 for 42 participating states.

Technical Support

A total of $17.8 million and 351 positions is requested for Technical Support activities in 1984. This is a reduction of $886 thousand and 10 positions from 1983.

Completion of the Dallas Pike facility in 1983 will provide for the consolidation and more efficient operation of the approval and certification program.

Program Administration

A total of $12.5 million and 178 positions is requested for Program Administration, a decrease of $1.4 million and 6 positions from 1983. This change is a result of reduced MSHA employment and more efficient utilization of resources.

Included in the 1984 request are funds for the orderly replacement of 119 MSHA-owned motor vehicles which will meet GSA standards for replacement in 1984.

Conclusion

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to answer any questions you have.

INTRODUCTION OF ASSOCIATES

Mr. FORD. Thank you, Mr. Chairman.

On my left is Mr. Thomas Shepich, who is the Deputy Assistant Secretary; on my right, Richard Baker, who is the Chief of Budget and Finance.

I have a 3-minute introductory statement, Mr. Chairman.

Senator WEICKER. Go ahead.

OPENING STATEMENT

Mr. FORD. Our request for fiscal year 1984 totals $148,032,000 and 3,184 positions to conduct mine safety and health activities. This is a decrease of $4.3 million and 224 positions from 1983. These reductions are based in part on proposed changes to the Federal Mine Safety and Health Amendments Act of 1977 and in part on more efficient utilization of available resources.

MSHA's budget proposal contains two important areas of emphasis in support of these goals. One is legislation and the second is regulatory reform.

Yesterday I outlined legislative suggestions to the Mine Act before the House Subcommittee on Safety and Health, ones we at MSHA have been discussing the last 11 months.

Currently we have five key regulatory review projects underway. These include review of metal and nonmetal mine safety and health standards, review of safety standards for coal underground mines, review of training regulations, reporting and recordkeeping requirements, and an alternative program for equipment approvals.

The purpose in all these regulatory review projects is the same—to provide the mining community with an effective set of standards that protect miners, that are clear and easy to work with, and that avoid burdening the mining industry with requirements that do nothing to improve the miners' safety.

My view of MSHA's proper role in the overall mine safety and health program is to improve the safety and health conditions in the mines through the concerted, cooperative efforts of management, labor, and Government.

I believe that this comprehensive approach will allow us to target our resources and create an environment in which MSHA can make a more positive contribution to mine safety and health.

The Mine Act provides MSHA with many different tools to help industry and labor prevent accidents, injuries, and illnesses in the Nation's mines.

In addition to inspection activities, many other tools are available to encourage and assist the mining community. These tools include consultative options, technical assistance, and education and training activities as well as regulatory authority.

The mining community has now had 5 years experience with the Mine Act. I believe that we in the mining community are now in a position to review that experience, to determine which of these tools are working to improve safety and health and which could work better.

Additionally, President Reagan has made a commitment to improve the efficiency of Government and reduce unnecessary burdens on our industries as well as improve health and safety.

For these reasons I believe that a comprehensive review of MSHA's policies, regulations, and statute is appropriate. The review should involve all concerned parties—labor, industry, and others.

That cooperative effort has been and remains one of my major goals for MSHA in the next 2 years. We were very fortunate to have a continuing reduction in incident rates in the mining community and the overall injury rates for the calendar year as well as reductions in fatalities.

I look forward to having your questions, sir.

Senator WEICKER. You have a more novel approach than your predecessor at the witness table, and probably proper in the sense of the functions of this committee. I notice where you are predicating a decrease of $4.3 million and 224 positions on anticipated legislation.

PROPOSED LEGISLATION

Mr. FORD. Only part of that decrease is related to proposed legislation. Part of it is attributable to management efficiencies. About $3.3 million is related to our legislative initiatives.

Senator WEICKER. Sound fiscal practice, really sound budgetary practice does not include anticipating. It's what you've got in hand, what you've got to deal with.

How do you suggest I handle this? In other words, put back in how many positions and what money. You can always not spend the money if indeed you get your legislation. But if you don't get the legislation, then you're in the position where you have to enforce the law as it's now written. How are we going to handle that?

Mr. FORD. We support the budget as it is presented before you, Mr. Chairman. We have one of three alternatives in the event that the legislation doesn't pass: review our priorities and the reapplication of our resources; request an adjustment from Congress; or reprogram funds and positions.

We do intend to work very hard for this legislation.

Senator WEICKER. I'm sure you intend to work hard for it and I'm sure there are those that are intending to work against you on it. I can't be responsible for that process. I'm not predicting who is going to win out in that contest. I'm responsible for an appropriations process. Far be it from a wild-eyed, screaming, irresponsible liberal like myself to tell Mr. Stockman what sound budgetary practice consists of, but I can assure you ever since I was in the State legislature it consisted of dealing with what I had in hand, not what is anticipated.

What are the dollar figures? You say $3.3 million would be attributed to this change?

Mr. FORD. Yes, sir for program items. With all associated supporting costs the amount would be $3,760,000.

Senator WEICKER. How many positions would be attributed to it?

Mr. FORD. Eighty-seven.

Senator WEICKER. It's my intention to put those moneys and positions back in. And fine. If you succeed in your legislative rewrite, there certainly are no problems. But I am not going to sit here in the course of this budget hearing and in effect say that we'll chance it and then if it doesn't work have to convene again. When we give you moneys we do so on the basis of priorities determined both by the executive branch and by the legislative branch, and you can't go willy-nilly and all of a sudden make up the money somewhere else. That's not the way I am looking at this budget.

Mr. FORD. Yes, sir. We were in a similar situation last year when we were prevented from having statutory authority over surface construction and surface sand and gravel operations and had to reduce our work force by some 260 to 300 positions. Then when authority was returned to us in July of last year, we had to ask for assistance from the Congress to make us whole.

Senator WEICKER. Let me say to you that I will always stand at your call when matters occur legislatively that clearly call for a different set of figures. That's what I'm here for; that's what the committee is here for.

Mr. FORD. I appreciate that.

DECLINE IN CITATIONS AND PENALTIES

Senator WEICKER. How would you respond to the charge by some that a decline in citations and penalties in 1982 as compared with 1981 reveals a decline in mine safety enforcement activity?

Mr. FORD. I would say that all of our programs, Mr. Chairman, are results oriented. We apply our resources and assist the mining community in applying their resources in the areas that can produce the greatest amount of good.

We have had a continuing downward trend in fatalities and in all injury rates for coal and metal and nonmetal. We feel that issue is more indicative of the effort and cooperation within the mining community than the amount of dollars collected or the number of citations that are written.

CLOSEOUT CONFERENCES

Senator WEICKER. Does transferring the assessment conference function to field personnel ultimately result in a decline in inspections because of the time the activity takes up?

Mr. FORD. We do not feel that it reduces the amount of time the inspector contributes to his enforcement activities. All of the mandatory inspections in coal are being accomplished in both underground and surface coal mines, and all the mandatory inspections in underground metal/nonmetal mines available for inspection are being performed.

We have always required closeout conferences with the operators. There is a new concept in the closeout conference which requires the inspector to present to the operator all of the information he or she secures during the inspection.

One of the positive things we are finding, that we feel is conserving not only MSHA's resources toward greater activity in areas where it's necessary but also that of the entire mining community, is that up to 70 to 75 percent of all citations written before the reorganization resulted in conferences with the assessments conference officers. The shift in responsibility to the districts to convene the conference on health and safety issues and not on dollars has reduced the contested citations to about 10 percent.

EFFECTS OF SUSPENSION OF METAL/NONMETAL ACTIVITY

Senator WEICKER. What problem have you been having in getting the noncoal enforcement program on track since the 6-month suspension of enforcement operations ended in July?

Mr. FORD. We are rehiring very conservatively in the noncoal areas because of the general condition of that industry. We are projecting increased activity based upon recovery of the economy, and we are already seeing encouraging signs.

We have provided assistance visits, seminars, and conferences with all of the exempted industries so that they are fully aware of the reorganization, the change in our civil penalty regulations, and the new approach that we are utilizing now. Inspections in those industries now are underway, and that community is fully aware of our new procedures.

Senator WEICKER. What do accident records show about safety in noncoal mines during the period of suspension of MSHA's enforcement authority as compared with periods before and since?

Mr. FORD. During the exempted period, there were 17 fatalities that were reported to OSHA. However, we don't have complete records because accident reports were not required. We have, as you know, a comprehensive type of reporting system from mine operators to our Health and Safety Analysis Center in Denver. During that period of time they weren't required to report, and so we cannot give you an exact number. We do know that the incident rates continued to go down, but we don't have that tie-in covered through the reporting system.

PROPOSED SAFETY AND HEALTH STANDARDS

Senator WEICKER. What new mine safety standards are slated for 1983 and what new health standards are slated for 1983?

Mr. FORD. In metal/nonmetal we have had 26 conferences. There is general agreement on eight sections of metal/nonmetal standards that are the highest priority matters, such as fire prevention, fire protection, ground control, air quality, gassy mine standards, electricity, explosives, use of equipment, and loading, hauling, and dumping.

Then we have all of the part 75 underground coal standards. We also have the standards on the part 50 of the reporting and recordkeeping, and the education and training standards.

Soon we'll be issuing a preproposal request for comments on alternative equipment approval. We plan to have these totally in effect by the end of 1984. It's a very ambitious program that uses a lot of resources.

PROGRESS OF ACCIDENT REDUCTION PROGRAM

Senator WEICKER. What kind of success has your accident reduction program met with for 1982? What kind of mines are you targeting for that primarily?

Mr. FORD. Forty-six mines are in the program, and a 58-percent reduction in incidents has been achieved. It has been very successful in 1982.

Senator WEICKER. What kind of mines are you targeting?

Mr. FORD. There is a targeting and rating system in metal/nonmetal and in coal. Those mines that are above the average of a given area in a given commodity and size of a mine are targeted and are contacted by either the metal/nonmetal activity or by the coal activity of MSHA, and a procedure is established providing technical support, engineering services, education and training, and inspectors to work in a concentrated manner on those mines. They have been well received and very successful.

They represent a small number of mines, but have a major influence on the incident rates.

Senator WEICKER. To what extent are you expanding your program to help reduce accidents in underground coal and metal and nonmetal mines, where I gather the improvement record has been the poorest?

Mr. FORD. Each district manager is to select those underground mines that appear to be the best candidates for needed improvement because of the high incident rates. We are expanding this program's resources to accommodate them with the rest of the mandatory activities of the act.

STATUS OF REGULATIONS REVIEW

Senator WEICKER. The fiscal 1983 continuing resolution deleted a reference carried in the fiscal 1982 resolution pertaining to a classification of potash mines. What is the status of your review of regulations with respect to classification procedures of so-called gassy mines? And do you expect any more potash mines will be classified as gassy in the near future?

Mr. FORD. We are working very carefully and closely with the potash industry. Our district managers are in contact with them for this period of time when we are in the rulemaking on gassy mines. Within the next couple of months we should have proposed gassy mine standards for the potash mines. There is a discussion going on among the industry, labor, and our people separating the various types of noncoal mines that do have gas problems to determine if they should be separated or combined in a gassy mine standard.

By April or May the proposals will be published and the entire mining community will have the opportunity to comment on them. We plan to have our rules in place by the end of this year or early next year.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. We will leave the record open for questions and would ask that you respond to those questions for the record.

Thank you very much.

Mr. FORD. I look forward to that. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

DEBT COLLECTION

Question: Your justifications indicate that you will continue an aggressive debt collection program for mine operators who do not pay their safety and health violation assessments. Apparently you plan to use a commercial collection agency. What is your outstanding debt and what is the average age of that debt?

Answer: In 1982, MSHA used the services of a commercial collection agency, on a pilot bases, to mail demand letters to approximately 1,500 mine operators owing civil penalty payments to MSHA. Approximately, $350,000 in collections may be attributable to the pilot effort.

A contract is being developed to obtain commercial collection services to handle $5,000,000 of MSHA's $7,594,077 (as of December 31, 1982) accounts receivable which have an average age of two years. The contract will cover accounts for 2,500 mine operators and will include the usual services provided by commercial collection agencies, such as contacts, demand letters, tracing, asset and income verification, and credit information.

DEBT COLLECTION TARGETS

Question: What are your debt collection targets for fiscal years 1983 and 1984 compared to debt collection in fiscal year 1982?

Answer: MSHA debt collection targets of $7,500,000 and $7,000,000 for fiscal years 1983 and 1984, respectively, constitute a goal to stabilize accounts receivable, i.e., to collect, as a minimum, the estimated dollar amount of new accounts receivable. Commercial debt collection will encompass 66 percent of MSHA's accounts receivable and the use of this service will further reduce the amount and age of receivables. For fiscal year 1982 debt collection efforts assisted by a pilot commercial collection project, resulted in collections of $11,012,933 versus a beginning accounts receivable figure of approximately $9,000,000.

EDUCATIONAL POLICY AND DEVELOPMENT

Question: What are some examples of what the Educational Policy and Development group has accomplished that has saved the agency money and improved the efficiency of the Mine Safety and Health Administration?

Answer: The creation of the Educational Policy and Development (EPD) activity in FY 1982 has resulted in a more concentrated effort toward education and training within both the coal and metal/nonmetal district, subdistrict, and field offices. The closer cooperative efforts between field personnel and others of the mining community involved in training activities has increased the use and availability of the National Mine Health and Safety Academy's resources to respond to the education and training needs of the field in the development of materials and resources needed by industry and MSHA.

The Educational Policy and Development activity has recently instituted and coordinated a review of inspector training needs with the Administrators of Coal and Metal/Nonmetal in order to upgrade the skill and knowledge required by inspectors to better perform their job.

Further program accomplishments are expected as EPD refines its policies and procedures and moves into its first full year of operation.

DALLAS PIKE

Question: The Mine Safety and Health Administration awarded a contract for construction of the Dallas Pike facility for testing and certification of large mining equipment. I understand that there is a dedication of this facility scheduled for June, 1983. Specifically, what portion of this facility will be completed in June and what will remain to be completed on this facility after the June dedication?

Answer: According to the latest analysis of the construction progress relative to the contractors' schedules, it appears that all main structural and masonry work will be completed on the main building located on Site D. The electrical testing gallery building, located on the Porter Track, should be near completion as installation begins on the electrical and gas mixing components for operation of the gallery.

The amount of construction remaining to be completed on the main building would include installation of interior partitions and hardware, and outside landscaping. For the electrical testing galleries: mechanical (crane, bay door, etc.) and electrical equipment (gas mix control panels) would remain as the last items to be installed after June, 1983.

DALLAS PIKE FACILITY

Question. Do you have funds requested in the fiscal year 1984 budget for the operation of this facility and if so, what is that amount?

Answer: Yes. The money needed to operate the new facility is projected to be about the same ($3,342,000) as is currently needed to perform the current program functions at the old facilities. This figure includes funds for salaries and personnel costs as well as all operational costs for utilities, maintenance, etc. Any additional money required to operate the new facilities should be available due to streamlining of administrative overhead and consolidation of program functions at the new location.

Question: If not, why not since this facility is scheduled to be in operation in fiscal year 1984?

Answer: Funds are included in the budget for operation of the facility.

Question: How many employees do you anticipate will be on board at this facility at the end of each quarter in fiscal year 1984?

Answer: It is expected that 88 employees will be on board at the end of the first quarter, and 110 employees will be on board at the end of the remaining three quarters.

LEGISLATIVE PROPOSALS

Question: The fiscal year 1984 budget calls for a reduction in funding for the Mine Safety and Health Administration from $153,828,000 to $148,032,000, and a reduction of 129 positions in the Coal enforcement program. To what extent are these reductions contingent upon the enactment of legislative proposals which the Administration plans to transmit to the Congress later this year?

Answer: The legislative proposals account for $3,760,000 of the 1984 reduction and 87 of the 224 position reduction overall. In the Coal enforcement program, 50 positions and $1,867,000 are attributable to the proposed legislation.

Question: What funding level is required to maintain the current legislatively mandated program?

Answer: Maintaining the current legislatively mandated program in the Coal enforcement activity in 1984 will require $75,854,000.

Question: What is the current number of coal mine inspectors that you have on board?

Answer: MSHA currently has 1,049 coal mine inspectors on board.

ADDITIONAL FUNDING FOR COAL

Question: In fiscal year 1983 the Department asked for an additional $15 million in funding for the coal mine enforcement program. Did you hire any additional coal mine inspectors or enforcement personnel as a result of this increased funding?

Answer: A total of 244 enforcement personnel were hired at the end of fiscal year 1982 including 199 new coal mine inspectors. Employment as of September 30, 1982 totaled 1,897, 244 more than scheduled employment prior to the amendment.

TRAINING

Question: The fiscal year 1984 budget assumes a reduction in training in fiscal year 1984. How will this impact on the training currently required for mine inspectors?

Answer: MSHA currently requires a minimum of 80 hours of annual training for mine inspectors at the Academy, and the typical inspector actually averages about 100 hours per year. The fiscal year 1984 budget proposes reducing this requirement to every three years. More on-location training will be utilized in lieu of annual Academy retraining.

Question: Will this mean a reduction in personnel in the training program?

Answer: There will be a reduction of coal mine inspectors in the training program at the Academy. However, other Federal and State agencies, industry, and labor will make use of the Academy's training classes, materials, and expertise.

Question: To what extent are these reductions contingent upon the enactment of legislative proposals which the Administration plans to transmit to congress later this year?

Answer: The change in coal mine inspectors' required training is not contingent upon the enactment of legislative proposals.

Question: How will these proposals affect the number of training days now offered at the National Mine Safety Academy?

Answer: The legislative proposals will not affect the number of training days offered at the Academy since the reduction is in coal mine inspector training only. The instruction time and student days of training formerly allocated for coal mine inspector training will be used to conduct other safety and health training for Federal and State employees and mine industry personnel. We estimate that 40,000 training days will be completed at the academy in both fiscal years 1983 and 1984, up from the 38,965 completed in 1982.

ACADEMY TRAINING DAYS

Question: Please provide for the record, the number of training days conducted at the Academy in 1980, 1981, 1982, and the number projected for 1983 and 1984.

Answer:	Actual			Projected	
Student days	1980	1981	1982	1983	1984
of training....	43,622	55,530	38,965	40,000	40,000

OTHER TRAINING

Question: How many training days were provided in MSHA facilities other than the Mine Academy in 1980, 1981, 1982, and the number projected for 1983 and 1984?

Answer: The following chart reflects training days for MSHA employees in MSHA facilities other than the Mine Academy in fiscal years 1980 through 1984:

	1980	1981	1982	1983	1984
Number of training days	5,069	9,837	5,077	5,000	5,000

Question: Please provide the same information for training of MSHA employees at non-MSHA facilities.

Answer: The following chart reflects training days for MSHA employees in non-MSHA facilities in fiscal year 1980 through 1984:

	1980	1981	1982	1983	1984
Number of training days	2,483	2,525	665	2,600	2,600

TRAINING COSTS

Question: Please provide the dollar estimates associated with the training provided in each of the three previous questions.

Answer: The following chart provides dollar estimates for training in fiscal years 1980 through 1984:

	1980	1981	1982	1983	1984
Mine Academy	$4,890,000	$5,775,000	$4,078,000	$4,418,000	$4,418,000
Other MSHA facilities	133,000	265,000	92,000	150,000	150,000
Non-MSHA facilities	83,000	97,000	21,000	100,000	100,000
Total	5,106,000	6,137,000	4,191,000	4,668,000	4,668,000

TECHNICAL SUPPORT

Question: How close to completion is the new Dallas Pike facility?

Answer: Construction progress on the new Dallas Pike facility, including construction of a new main building and testing galleries, is on schedule. Detailed construction performance according to an updated construction schedule is as follows:

	% Complete	Expected Completion Date
Main Building	35	November, 1983
Testing Galleries/Building	25	November, 1983

Question: When do you anticipate transfer of operations to this facility?

Answer: Operations will begin to be consolidated November, 1983. It is expected that the new facility will be in full operation by March, 1984.

DEPARTMENTAL MANAGEMENT

STATEMENT OF BETTY A. BOLDEN, DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

ACCOMPANIED BY:
- ROBERT E. MAGEE, ACTING INSPECTOR GENERAL
- WILLIAM C. PLOWDEN, ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

STATEMENT OF BERNARD POSNER, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator WEICKER. Next we have departmental management. Here to testify on the departmental management budget is Ms. Betty Bolden, Deputy Assistant Secretary for Administration and Management.

Please introduce your associates and proceed.

[The statement follows:]

STATEMENT OF BETTY A. BOLDEN

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. I am prepared today to outline for you the budget recommendations for three Departmental Management Appropriations--Salaries and Expenses, Office of the Inspector General, and Special Foreign Currency.

Departmental Management -- Salaries and Expenses

This appropriation is responsible for formulating and overseeing the implementation of policy and management activities of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Office of Civil Rights,
the Women's Bureau,
the President's Committee on Employment of the Handicapped,
the Bureau of International Labor Affairs,
the Solicitor's Office, and
the Assistant Secretary for Veterans Employment.

The budget request for Fiscal Year 1984 for the Departmental Management Salaries and Expenses appropriation is $118.6 million and 2,176 positions, of which $95.4 million is from general funds, $9.8 million is from the Unemployment Insurance Trust Fund and $13.4 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

This Fiscal Year 1984 request represents a net increase of $1.6 million and 3 positions over the comparable base in Fiscal Year 1983. Included in the Fiscal Year 1983 base is an increase to the 1983 appropriation of $525,000 and 13 positions resulting from a comparative transfer from the Bureau of International Labor Affairs Reimbursable account to support a continuance of foreign economic research activities within the Department.

In the Fiscal Year 1984 budget request, there are two major components of the requested net increase of $1.6 million. The first is the cost of built-in changes which require a net increase of $3.9 million. The second part is the cost of program changes which amount to a net decrease of $2.3 million.

The Fiscal Year 1984 built-in increases totalling $4.3 million include: 1) the additional cost of within-grade promotions, 2) increased general merit pay costs, 3) increased costs of automated data processing services, 4) costs related to the October 1982 General Schedule pay increase that were absorbed in part in 1983, and 5) other items explained in detail in the summary of changes.

Mandatory decreases of $479,000 reflect a reduction for one less day of pay in the fiscal year, decreases in administrative and management support services, and decreased costs for supplies, equipment and miscellaneous contracts.

A program increase of ten positions and $405,000 is requested for the Assistant Secretary for Policy to allow the Office to fulfill its expanded responsibilities of advising the Secretary on an extensive range of economic issues and also reflects increasing participation in Cabinet Council activities.

A program decrease of $2.0 million is requested to dissolve contractual arrangements and other agreements relating to the collection and analyses of data on foreign free trade unions. Since this is a one-time, special research effort to be conducted in Fiscal Year 1983, the funds will no longer be needed in Fiscal Year 1984.

A decrease of 16 positions and $600,000 is also requested in Administration and Management. This decrease parallels overall Departmental reductions in program levels.

Similarly commensurate with reductions in related programs, a reduction of four positions and $73,000 is requested in the Women's Bureau. The Women's Bureau will continue its leadership role in developing policy and programs to improve the welfare of working women, although training sessions and technical assistance will be reduced slightly.

Departmental Management--Office of the Inspector General

As a result of action on the Fiscal Year 1983 Continuing Resolution, the Office of the Inspector General was established as a separate Departmental Management appropriation. The Fiscal Year 1984 request totals $44.5 million, of which $37.7 million is financed from general funds, $6.2 million is financed from the Unemployment Insurance Trust Fund and $620,000 is financed from the Black Lung Disability Trust Fund.

The Fiscal Year 1984 request reflects a decrease of $441,000 and an increase of 57 positions as compared to Fiscal Year 1983. This is the result of a net increased cost of built-in changes totalling $1.2 million offset by program changes reflecting a net decrease of $1.6 million.

Built-in increases include: 1) the additional cost of within-grade promotions, 2) costs related to annualization of the Fiscal Year 1983 program increase, 3) increased cost of audit contracts, and 4) other items explained in detail in the summary of changes.

Built-in decreases of $405,000 include a reduction for one less day of pay, decreased costs of transportation of things, decreased administrative and program support services costs and decreased equipment costs. A program increase of 57 positions and $2.0 million is requested for Fiscal Year 1984. This increase is offset by a decrease of $3.7 million in audit contract funds. Together, these program changes will bring about a more effective, balanced audit program and will allow OIG to conduct investigations into DOL program areas which have previously not received adequate coverage.

Departmental Management -- Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1984 totals $200,000 which is necessary to support foreign service consultation and travel to a world-wide conference in New Delhi for all Labor Attaches. Holding a world-wide conference will contribute significantly to efforts to acquaint all overseas Labor Attaches with the current reporting needs of the Department, discuss strategies for achieving U.S goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor Attache corps.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

INTRODUCTION OF ASSOCIATES

Ms. BOLDEN. Thank you, Mr. Chairman.

To my right is Mr. Robert Magee, the Acting Inspector General of the Department of Labor; to my left is Mr. William Plowden, Assistant Secretary for Veterans Employment.

Normally Mr. Alfred Zuck would be presenting the testimony for this account. However, he has been asked to be Acting Administrator for Administration at EPA, and I am here in his place.

I will introduce my formal statement for the record and give a summary of our account.

Senator WEICKER. Go right ahead.

SUMMARY OF OPENING STATEMENT

Ms. BOLDEN. The departmental management account covers a wide variety of activities. Depending on the nature of the questions, I have some other supporting witnesses besides Mr. Magee and Mr. Plowden, should they need to be called.

The departmental management salaries and expenses appropriation request for fiscal year 1984 is for $118.6 million. It represents a net increase of $1.6 million over the 1983 comparable level.

The fiscal 1983 continuing resolution established the Office of the Inspector General as a separate departmental management appropriation. OIG's fiscal year 1984 request totals $44.5 million. This reflects a decrease of $441,000 and an increase of 57 positions over the fiscal year 1983 base.

For the special foreign currency program our fiscal year 1984 request totals $200,000 to support a worldwide conference in New Delhi for all labor attachés.

PREPARED STATEMENT

For the record we would also like to introduce a statement for the President's Committee on the Employment of the Handicapped.

I appreciate the opportunity to appear before the subcommittee and will be happy to answer any of the questions.

[The statement follows:]

STATEMENT OF BERNARD POSNER

Thank you for inviting me to say a few words about our fiscal year 1984 budget request.

Once more, we come to you asking for no increase in personnel nor in programs. Our 1984 budget request is for $2,001,000—a modest increase over 1983, but it covers only mandatory costs, none others.

We have the capability of operating within tight budget constraints because we are able to be flexible: to remain on top of changing times and changing priorities; to respond to them quickly and, I hope, effectively. I would like to present just a few highlights.

PCEH's budget proposal for fiscal year 1984 represents no increase in personnel or programs. However, because of changing times there is need to change the focus of its efforts. This can be done by accelerating the use of its unpaid volunteer members working together with PCEH's staff. Concentration will be on these priorities: (1) emphasizing the retention of disabled workers in the labor force, and also bringing into the work force disabled people who may not have worked before; (2) preparing disabled young people for jobs with relatively bright futures; a series of "Pathways to Employment" meetings will be held in various parts of the country examining the mismatch and proposing ways to improve things; (3) concentrating on the growing number of Governors' Committees on Employment of the Handicapped in areas other than employment, in response to local pressures; accelerate its consulting and training services to Governors' committees to restore emphasis on jobs; (4) encouraging volunteer organizations (such as Kiwanis, Zonta, Lions, et cetera) to promote more local projects in disability areas, with PCEH providing background materials.

Thinking about these diverse projects and goals, one thing seems to underlie them all—the capacity of the President's committee to be in tune with changing times and changing priorities; and its capacity to bring together a diversity of society to try to come to grips with them and solve them.

Thank you.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Senator WEICKER. Who is the chairman of the President's Committee on the Employment of the Handicapped?

Ms. BOLDEN. Mr. Bernard Posner.

Senator WEICKER. Is he here?

Ms. BOLDEN. Yes.

Senator WEICKER. Why don't you sit up here also.

Mr. POSNER. Thank you.

Senator WEICKER. I have Ms. Bolden's statement, but I also notice there is a separate statement, Mr. Posner, by you. We will have that introduced into the record in its entirety. Would you like to synopsize that before I get to the general questions?

Mr. POSNER. I would, thank you. I am executive director, not chairman. Our chairman is Harold Russell, who is making a movie today.

Senator WEICKER. I know your chairman well. He's a fine man.

SUMMARY OF OPENING STATEMENT OF PCEH

Mr. POSNER. I would like to thank you on behalf of Harold Russell and myself for the opportunity to tell you that once again we come here not asking for any increase in funds, merely mandatory increases, and to explain how we can do this each year.

The President's committee is made up of 400 volunteers, leaders in many walks of life: labor, management, handicapped, rehabilitation, professionals, media, and more.

We put our volunteers to work in tandem with our small staff. This gives us an opportunity to get many millions of dollars worth of manpower, and also to change our priorities quite readily as times change. So we are not hidebound by operational restrictions.

Saying that, we have changed our priorities somewhat for the forthcoming year, and I would like to spell them out briefly.

One is we want to concentrate more on the retention of disabled workers in the work force, particularly those who become disabled in their middle years—loss of hearing, mental illness, loss of sight, heart conditions, and so on—the temptation makes it so easy to give them early retirement.

Our promotional efforts will be designed to retain them in the work force.

Also, we want to concentrate on bringing new workers into the work force, disabled people who may never have worked before, on the grounds that these severely disabled people really have a right to work with modern rehabilitation and with modern methods of adapting jobs to people. These techniques should be put to their use.

Another priority will be one that is carried over from the last couple of years. We have been concerned that many disabled people are not really being prepared for occupations with futures. There is a lot of stereotyped thinking in the way disabled people should be prepared for work.

We have been holding a series of special meetings, "Pathways to Employment," to try to bring about a better match of putting people into training programs with bright prospects for the future.

Our third priority will be to strengthen Governors' Committees on Employment of the Handicapped, to give them more training, to give them more orientation, to give them more assistance, and to keep them more tuned in on employment and on employment-related issues.

A final priority for the year will be to work more closely with the voluntary organizations of America like Kiwanis, Pilot International, B'nai B'rith, and all the rest, to help them develop programs for local chapters, and local affiliates that do deal with handicapped employment.

Those are our priorities, and as times change I'm sure priorities will change too.

Thank you very much, Mr. Chairman.

Senator WEICKER. Thank you.

NEW ECONOMISTS FOR ASSISTANT SECRETARY FOR POLICY

Ms. Bolden, you are asking for 10 new economists for the Office of the Assistant Secretary for Policy at an increased cost of $405,000. What specifically would you do with 10 more economists in an office that already has 157 positions?

Ms. BOLDEN. Mr. Chairman, Mr. Daniel Benjamin, who is Deputy Assistant Secretary for that office is here, and I would like him to respond to that question.

Mr. BENJAMIN. Thank you, Mr. Chairman.

Our office is a portion of departmental management. We currently have a staff of 45. This is down 19 slots from fiscal year 1981. As you are too well aware, with the current situation in the economy, the unemployment rate is extremely severe, and we have been asked by the President to devote an extraordinary amount of time to analyzing the sources of the problems and possible cures for the future.

In addition to that, as you are also aware, I am sure, many people in this country are concerned that our regulations be cost beneficial and be appropriate for the problems they are designed to handle. We have been asked by the Secretary to take on an added role in that area.

Finally, as part of the administration's Cabinet council activities, which have been greatly expanded, we have been called on to serve the Secretary in that capacity. As a result of that we have had considerable additional demands put on our office, and we think it would be appropriate and effective for us to expand our staff.

Senator WEICKER. I don't understand what these economists are going to do. I still don't understand how they are going to assist in the problems that confront the country right now. Where do the economists come in? I'm talking now about the unemployed.

Mr. BENJAMIN. Well, as we understand it now, the nature of the unemployment problem is both a cyclical and a structural problem. These are fundamentally economic problems, questions of recession, questions of changes in our basic smokestack industries, competition from abroad, and changes in exchange rates, all of them involving fairly complex technical economic causes of the current unemployment. To deal effectively with these causes, to come up with policy that would go to the heart of the causes, requires some technical background in economics.

Senator WEICKER. There might also be those that say we're in the mess we're in because of economists in this administration. I don't understand why necessarily a new group is going to get us out of it.

In any event, we will take a careful look at that.

OFFICE OF THE INSPECTOR GENERAL'S REDUCED AUDIT CONTRACTS

Ms. Bolden, you are proposing to reduce funding for audits by outside contractors by $3,653,000 and instead expand your in-house staff by 57 positions, $2,035,000. Do you expect to be able to perform as many audits with the added Federal staff as is now being performed by contractors?

Mr. MAGEE. Mr. Chairman, I'll answer that question. Our purpose is to get a better balance between the Federal audit staff and the contract staff partly because of the additional costs in supervisory responsibilities that go along with procuring and using outside CPA firms to audit grantee and sponsor organizations and the need to expand internal coverage of departmental programs.

We expect not only to do higher quality audits, but to do more audits in those sensitive areas of the Department.

One example is the unemployment insurance program for which we estimate a great deal of work next year in order to find the weaknesses in this and other programs that are causing a substantial drain in Federal dollars.

So the object in substituting 57 additional positions, of which about 33 would be field auditor positions, is to get that balance, and we expect an increase in the quality of audits.

STATUS OF INSPECTOR GENERAL VACANCY

Senator WEICKER. You are the Inspector General?

Mr. MAGEE. I'm the Acting Inspector General at the moment, Mr. Chairman.

Senator WEICKER. What happened to the Inspector General?

Mr. MAGEE. I am the Deputy Inspector General, and when Inspector General Tom McBride resigned in October to accept a position in the academic field, I became the Acting Inspector General pending the location and nomination of a new Inspector General.

Senator WEICKER. So we now have what? It's been since October?

Mr. MAGEE. Since October 15.

Senator WEICKER. We are in March. Is there anything imminent here in terms of an Inspector General?

Mr. MAGEE. Our understanding is that there is an imminent nomination, but it's in the selection and background investigation process. So there has not been anyone named.

Senator WEICKER. Five months without an Inspector General. Of course, you've been fulfilling that function.

Mr. MAGEE. I have been fulfilling the function, and we have what we consider a very stable organization and it seems to be doing quite well.

Senator WEICKER. Are you a career official?

Mr. MAGEE. I'm a career official, yes. I came fom the Department of Agriculture in December 1981 to the position of Deputy IG at Labor with Inspector General McBride.

INDEPENDENCE OF INSPECTOR GENERAL

Senator WEICKER. Do you feel that your functions are of an independent nature, to enable you, in other words, to do a proper job?

Mr. MAGEE. Absolutely. We enjoy the greatest independence within the statutory intent of the law at the Department of Labor.

VETERANS' REEMPLOYMENT RIGHTS PROGRAM COMPLAINT RESOLUTION

Senator WEICKER. What has been the success rate of the veterans' reemployment rights program in resolving complaint cases without resort to the courts?

Mr. PLOWDEN. Mr. Chairman, that program is being transferred to my office at this time. I would like Mr. George Gonzales, the Director of the Office of Veterans' Reemployment Rights to answer that question.

Mr. GONZALES. Mr. Chairman, the percentage of cases that we investigate and mediate and, therefore, settle without having to go to court is roughly 97.8 percent of our total. To turn this into actual numbers, in the first quarter of 1983 we had 776 cases that we processed or closed, and of that number 759 were closed at the investigator/mediator level and only 2.2 percent had to go to court.

FUNDING OF DISABLED OUTREACH PROGRAM

Senator WEICKER. Why are you not recommending funding the disabled veterans outreach program from general revenues in fiscal 1984?

Mr. PLOWDEN. That was considered and recommended by the Department of Labor, but it was determined that it was best to use the same source of funds as the employment service.

Senator WEICKER. So the recommendation was that it should be.

Mr. PLOWDEN. Yes, sir.

MAJOR ACTIVITIES OF PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Senator WEICKER. What major activities has the President's Committee on Employment of the Handicapped undertaken to promote employment opportunities for the handicapped?

Mr. POSNER. There are several I would like to mention briefly. One is that we have a newly revitalized Employers Committee made up of leading people from ITT, AT&T, IBM, U.S. Steel, and other major corporations, as well as from a number of smaller businesses.

This committee has just planned a computer system and is now seeking private funding to put it into operation. Under this system, employers who want to hire disabled people will be able to plug in to find out what other employers have done in making job accommodations for similarly disabled people in similar occupations.

If this can work, it will prevent a lot of wheel spinning and reinventing of wheels. This would enable employers to learn from other employers everywhere. This will entirely be a privately funded operation under the general direction of the Employers Committee of the President's committee.

Another new development. The President's committee has been involved in the elimination of architectural barriers for a long time. The committee finally decided that there is enough national momentum going on without our leadership. So we are decreasing emphasis in that entire area. We now are concentrating in a new area, establishing a new committee dealing with worksite accommodations, the entire new field of matching people to jobs and vice versa, of taking people as they are and matching worksites and matching environments to fit them. That has exciting possibilities.

One more I would like to mention. We have a Labor Committee which has developed a training symposium dealing with what I spoke about a little earlier, the problem of people in their mid-years becoming disabled and what to do about them. How can employers be encouraged to retain them in the work force?

This committee has put together a seminar which will be in place at our annual meeting this May and which will also be in place at other conferences of employers, labor, and rehabilitation calling national attention to the problem of the retention of workers.

PREPRICE REVIEWS

Senator WEICKER. We understand that few preaward surveys and preprice reviews are conducted on contracts let by the Department of Labor. Why aren't they conducted, and do you think more should be conducted, and what plans do you have for conducting them?

Ms. BOLDEN. Mr. Chairman, our Office of Cost Determination responds to requests to perform prepricing reviews. The requests are at the discretion of the agency contracting officers based on their evaluation of information provided by prospective contractors. The Office of

Cost Determination has limited resources and does not actively solicit work but provides the services as requested.

Within resource limitations, this office prioritizes the major organizations doing business with the Department and then deals with them. Greater coverage is only possible when contracting officers require adherence to regulations and request this office's assistance.

At present the Inspector General's office and private auditing firms have done minimal work in the area of indirect cost surveys, generally after the fact.

Senator WEICKER. I understand the Office of Cost Determination saved the Department of Labor $17,135,000 in the first half of fiscal year 1982 by reviewing contractor and grantee indirect cost rates. However, only about 500 out of a universe of 1,800 possible agreements are negotiated a year. Don't you think with that kind of a record in terms of savings and numbers served that it wouldn't be to the benefit of the Department and the taxpayers to go right across the board?

Ms. BOLDEN. Unfortunately, with the limited staff we have in the office and the time spent responding to the agency requests I don't believe we will be able to provide any more coverage in that area in fiscal year 1984.

Senator WEICKER. It seems to me that some additional staff there would more than pay for itself. At least on the basis of that result. Is there any reason to believe that assumption is incorrect?

Ms. BOLDEN. No, sir.

Senator WEICKER. What does the Inspector General's office feel about this matter?

Mr. MAGEE. The Inspector General's viewpoint on this is, as in many other areas, that many functions could be improved with an increase in staff in terms of oversight, inspection, and review. It's a question of priorities. We provide service in this area on a request, as Ms. Bolden said, to a limited degree, but within the overall constraints within the Department in terms of personnel ceilings there have to be priorities and there have to be judgments made in terms of where additional staff can be justified.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are further questions which will be submitted for response to the record both by the Chair and by other Senators.

I thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

WOMEN'S BUREAU

Question: On what basis does the Women's Bureau justify carrying out program initiatives to address the employment and training needs of women given Title VII of the Civil Rights Act, Affirmative Action Programs and the Special Training Programs for Disadvantaged Women enacted by Congress?

Answer: While other laws and programs have been developed to address equal opportunity and the needs of disadvantaged women, the Women's Bureau is the only agency with a Congressional mandate to address all areas of concern which impact upon the economic well-being of women, particularly those in the labor force. In fact, many of these equal employment opportunity laws have been developed or include specific provisions related to the needs of women because of efforts undertaken by the Women's Bureau.

The Bureau carries out a broad range of program activities designed to increase the productivity and the contribution of working women to the labor force and thus, the economic well-being of this country. For example, activities include efforts to increase the participation of women in apprenticeship; to ensure that women are equitably considered for employment and training programs, particularly those that will increase their economic self-sufficiency; to assist mature women, such as displaced homemakers, to re-enter the labor force; to provide technical assistance to employers and others in understanding the unique concerns of specific target groups of women and the general needs of all working women; and to represent the United States in international forums considering the economic concerns of women, such as the OECD, the OAS Commission on Women, and the United Nations Commission on the Status of Women. As the nature of work changes to more service oriented/high technology jobs, the Bureau will have to play an even more important role to ensure that women receive training, re-training, and proper consideration for such jobs.

We now know that the majority of women work because of economic need. Two-thirds of all women in the labor force, as of March 1982, were single, widowed, divorced or separated, or had husbands whose earnings were less than $15,000 a year. Additionally, over the last ten years, we have seen the female share of the labor force increase from 38.5 percent (1972) to 43.3 percent presently. This increase in women's participation in the labor force is expected to continue, and, by 1990, it is projected the proportion of women in the labor force will be virtually equal to that of men. There have also been some dramatic changes in the occupations in which women are employed, for example, the percentage of women working in professional and technical occupations has grown from 14.5 percent in 1972 to 17.7 percent in 1982; the percentage of women who are managers and administrators has risen from 4.5 percent in 1972 to 7.4 percent in 1982.

It should also be noted that the Women's Bureau is viewed as a model for other countries around the world as they begin to deal with the increased participation of women in the labor force. Very frequently, the Bureau is called upon to assist other countries in establishing similar structures to address the problems of working women.

ENHANCING THE EMPLOYABILITY OF WOMEN

Question: Since equal employment opportunity legislation has been in effect for almost 20 years and women presently comprise 43 percent of the labor force, is it necessary for the Women's Bureau to staff a program of technical assistance to enhance the employability of women?

Answer: The Women's Bureau readily acknowledges the important role equal employment opportunity legislation has played in the advancement of women in the labor force. The fact remains, however, that the vast majority of working women remain in the service industry, and work at jobs characterized by low pay and little opportunity for advancement. The number one occupation group for women is still clerical work--the same as it has been for 40 years. Despite the progress of women moving into higher paying nontraditional jobs, the top five occupations for women today are: secretary, bookkeeper, sales clerk, cashier, and registered nurse. Tied closely to the occupations are the earnings women generate. Women who worked at full-time jobs throughout 1981 earned, on the average, only 59 cents for every dollar earned by men.

In addition to the questions of pay and job category, there are a number of other issues impacting on the employment of women and their economic self-sufficiency. The following examples highlight some of the contextual factors impeding their ability to fully participate in the work force:

1. Child Care - The fastest growing segment of the labor force consists of mothers of pre-school children. At the present time, 50 percent of all mothers of pre-school children--7.4 million mothers--are working or looking for work. This represents the mothers of 8.5 million children. When working mothers with school-age children are considered, a total of 18.7 million women and 32 million children results. It is projected that by 1990, 10 million pre-schoolers will have working mothers, and that, by 1995, nearly all--about 91 percent--of women in the age bracket 25 to 34 years of age will be workers. Since these are women in their childbearing years, this also forecasts the need for expanded child care.

2. Mature Women - The issues facing the older female population are many, and include displacement from the home; pensions, social security; mid-life career changes; and simply factors related to age and sex discrimination. As the total population grows older, an examination of many of the policies which must be changed accordingly has been initiated. The policies which impact most harshly on the older/mature woman are just now being identified and are in the embryonic phase of consideration. Admittedly, the need is apparent. For

example, it is known that: women are less likely than men to be covered by private pension plans, and, when they do receive pensions, the amount is generally smaller than that received by men; nine out of ten women will be widowed some time during their life span, and, at age 60, only slightly more than 50 percent will be living with a husband; over one-third of the women over 65 years of age who are living without a husband have a total annual income of about $3,000; and 78 percent of the population receiving the minimum benefit (approximately $120 per month) under social security are women.

3. Women in Poverty - While the recently passed Jobs Training Partnership Act targets AFDC recipients for focused services, it remains to be seen if, in fact, this will have a significant impact on the economic status of a large group of American women. Women now comprise 63 percent of the poor 16 years of age and older; 47.5 percent of all poor families are headed by women; and female-headed households contain 56 percent of the children living in poverty. Women are 92 percent of the adult AFDC recipients and 70 percent of the poor who are 60 years of age or over. Based on trends over the last 25 years, it is now projected that women will head virtually all of the poor households by the year 2000.

4. Changes in the Workplace - As the adaptation of microelectronic technology becomes more widespread, jobs can be expected to change in character and, over time, many jobs will disappear while new ones emerge. This is most evident in office work where a whole new generation of office equipment has been created and where 80 percent of the clerical workers are women--to a far greater extent than men. The occupational concentration of women places them in those "risk" jobs. And, while this does not necessarily mean they will lose their jobs, it does suggest that they will be the key group, therefore, required to adjust to changes. Women, lacking the educational and training background to enable them to move into these high technology jobs, will be increasingly cut off from traditional career progression paths, and, hence, unable to share fully in the benefits resulting from new technology.

The four issues highlighted here are just a few of those identified by the Women's Bureau for particular attention. While other Federal agencies may ultimately be charged with the lead role in carrying out government's efforts to address these issues, the Bureau will clearly be in the forefront of identifying the full parameter of the problems and suggesting means for solving the problems. The Bureau has often found itself serving as a catalyst in assisting employers and others to develop and initiate programs to respond to shifts in policy, laws, and regulations as they affect women. We, therefore, foresee no diminution in these needs and activities and feel it is clearly within out Congressionally-established mandate that we continue to carry out activities, including technical assistance, to improve the working conditions of women and to enhance their opportunities for employment at all levels.

BACKLOG OF VETERANS REEMPLOYMENT RIGHTS CASES

Question: At the beginning of FY 1982, there was a backlog of some 966 Veterans' Reemployment Rights (VRR) cases. At that time, it was anticipated that the backlog would increase to more than 2,100 cases by the end of fiscal 1982, and to over 3,300 by the end of fiscal 1983. What is the current backlog?

Answer: The backlog, at the end of the first quarter of fiscal year 1983, was 783 Veterans' Reemployment Rights cases.

Question: Why has it been increasing?

Answer: The backlog, according to our estimates, has not been increasing.

Question: Do you anticipate it will continue to grow?

Answer: We now anticipate that the case backlog will remain at about 800 in fiscal year 1983.

Question: What steps have been taken to improve the productivity of the Veterans' Reemployment Rights staff?

Answer: In an effort to improve VRR staff productivity, we have issued a VRR management strategy position that spells out the order of priority for handling cases. Additionally, we have adopted the mediation approach to case processing which resulted in approximately 97.8% of the cases processed being settled out of court during fiscal year 1982.

VETERANS EMPLOYMENT SERVICE

Question: Why is the Veterans Employment Service funded through the Departmental Management account?

Answer: In the Secretary's Order establishing the Office of the Assistant Secretary for Veterans Employment (OASVE), which was mandated by P.L. 96-466, the ASVE was required to report directly to the Secretary. Departmental Management provides financial and programmatic support to the Secretary. It is therefore appropriate that Departmental Management supports the OASVE.

Question: What are the duties and responsibilities of the New Assistant Secretary for Veterans Employment?

Answer: The ASVE serves as the principal advisor to the Secretary on the formulation and implementation of all Departmental policies and procedures designed: (1) to carry out veterans' employment and training services; (2) to assure proper veterans' employment emphasis under federal contracts; (3) to protect and advance veterans' reemployment rights; and (4) to carry out all other Departmental employment, unemployment and training programs to the extent they affect veterans. The ASVE has direct operational control of the Veterans Employment Service, the Disabled Veterans Outreach

Program, Veterans Employment Programs under the Jobs Training Partnership Act and the Office of Veterans Reemployment Rights.

Question: Has the transfer of the Veterans Employment Service from the Employment and Training Administration to the Office of Assistant Secretary for Veterans Employment improved its effectiveness in serving the employment needs of veterans?

Answer: While we have not operated under our new structure for a sufficient period of time to assess the impact of the transfer, we do feel that the effectiveness of the Veterans Employment Service has improved since being transferred to the Office of the Assistant Secretary for Veterans Employment.

VETERANS' REEMPLOYMENT RIGHTS/DECLINE IN CASELOAD

Question: In fiscal 1981, 2,344 veterans' reemployment rights complaints were processed, and nearly 276,000 veterans received employment assistance through the Department of Labor's Veterans' Reemployment Rights program. For each of fiscal years 1982 and 1983, the estimated caseload is 1,122 complaints processed and 140,000 veterans assisted. What are the reasons for this decline in caseload?

Answer: Since 1970 the Office of Veterans' Reemployment Rights (OVRR) has operated in Labor-Management Services Administration (LMSA) area offices as part of a joint track with other LMSA field programs, most recently with Labor Management Standards Enforcement (LMSE).

The FY 1981 cases processed figure represents the actual number of cases processed using total LMSA investigative staff. The 1983 estimate of 1,122 is the projected number of cases processed using only VRR resources.

IMPACT OF NEW JOB TRAINING LAW ON VETERANS

Question: What will be the impact of funding for veterans employment and training programs under the new Job Training Partnership Act (JTPA) (P.L. 97-300) as compared to the Comprehensive Employment and Training Act (CETA)?

Answer: For fiscal year 1982 and 1983 national veterans programs under the Comprehensive Employment and Training Act have been funded at less than $2 million each year. With the $9.3 million available under the Job Training Partnership Act for veterans programs we will be able to provide nearly five times the services and to develop and test varied approaches to serving veterans.

Question: How will the new law be implemented and monitored by the Assistant Secretary for Veterans Employment (ASVE)?

Answer: The JTPA veterans program will be implemented by the issuance of regulations by the Assistant Secretary for Veterans Employment. Proposed regulations are in departmental clearance and should be published for comment in late March or early April. Basically, our plan is to make most of the dollars available to the States with distribution based on disabled and Vietnam-era veteran population. It is our intent to issue funding application guidelines which will require a local needs assessment for veterans and specific identification of programs to meet those needs.

The ASVE, through the Veterans Employment Service field staff, will monitor all veterans employment programs developed under Title IV Part C of JTPA.

HISTORICAL PROGRAM

Question: Within the Department of Labor, as Secretaries and Administrators and staff persons come and go, what formal arrangement has been developed for the systematic retention of historical information about programs and priorities?

Answer: The Historical Office is actively involved in the selection and retention of historical DOL records. Some records stay in the Historical Office. Others go to the National Archives after processing in the Office. The following is a list of the types of records with which the Office is involved:

-- Secretary of Labor's Correspondence Files. At the end of a Secretary's tenure, the Historical Office reviews and thoroughly indexes these records. Those portions that are deemed historically valuable are sent to the National Archives. The index is maintained in the Historical Office.

-- Copies of the Secretary of Labor's speeches, statements, radio and TV appearances, Orders and press releases are retained in the Historical Office.

-- Official Photos. Periodically the Photo Lab offers old DOL photos to the Office which maintains them.

-- Administrative Histories. At the end of each presidential Administration, the agencies prepare, under the supervision of the Historical Office, comprehensive narrative histories of their programs during that Administration, accompanied by copies of relevant documents. These histories are maintained in the Historical Office. The historians also conduct tape-recorded interviews with departing top DOL officials and the Office maintains tapes and transcripts.

BRIEFING INCOMING OFFICIALS

Question: Absent specific historical analysis of particular programs, how does an incoming administrator learn what his or her predecessors have attempted, where they have been successful or failed, what policies have been abandoned as ill-advised, or where coordination with industry or trade unions or local government agencies has been especially weak or strong?

Answer: The Department gauges the success and/or failures of its policies and programs and communicates that information to incoming officials. The success and/or failures of policies and programs is monitored by the Department's research and evaluation program and is also tracked closely by program and budget staff. The information and analysis is reported in the form of research findings, policy analysis, program reports, and budget analysis. This kind of general background information is combined with staff briefings and efforts tailored to provide a core of knowledge (for example briefing papers or books) for new officials. This combination of general background and briefing material is routinely prepared and provided to incoming officials. Moreover, as an incoming official subsequently deals with issues, relevant background and briefing materials are provided on a continuing basis.

EFFORTS TO AVOID PAST MISTAKES

Question: Absent a systematic, concerted historical program, how does the Department of Labor keep from blundering about and repeating past mistakes at significant dollar cost to taxpayers?

Answer: The Labor Department has for many years carried on an effort to gauge the worthiness of its various policies and programs. This effort consists of a research and evaluation program combined with policy analysis designed to assess the usefulness of policy proposals. This approach is applied across the board in the Department's unemployment, employment and training assistance, and various regulatory policies. For example research and policy analysis has been applied to examine questions concerning unemployment insurance recipients, the effectiveness of employment and training assistance programs, and the implications of proposed changes in various Departmental regulatory programs.

MINIMUM WAGE STUDY COMMISSION

Question: Would you please assess the strengths and weaknesses of the Minimum Wage Study Commission, created under the 1977 Amendments to the Fair Labor Standards Act?

Answer: The major strength of the Minimum Wage Study Commission (MWSC) was the generation of a comprehensive research effort to address the major issues surrounding minimum wage legislation: the beneficial effects, the inflationary impact, the effect on other wages, the consequences of automatic indexing, the employment and unemployment effects, the impact of a youth differential, the level of noncompliance and the demographic profile of minimum wage workers. The volumes of studies published by the MWSC represent the efforts of the Commission's own staff as well as studies conducted by leading economists in the academic world and the general research community. These studies will serve as a major source of information about minimum wage issues as changes in the Fair Labor Standards Act are proposed in future years.

An indirect effect of the MWSC was the stimulation of many additional studies in this area by academic economists not funded by the commission. These studies too, will serve as input to future debate.

The only weakness we would point to is one which is perhaps endemic to commissions which study controversial issues. The Commission consisted of representatives of interest groups with strong prior beliefs regarding the value and impact of minimum wage legislation and these preconceived ideas may have affected their conclusions and recommendations.

Question: Were the results worth the alleged $17 million dollar costs?

Answer: The total cost of the MWSC was $4.6 million. We believe the research effort generated by the MWSC justifies the cost. As noted above, the Commission sponsored research on a variety of minimum wage issues, including the first detailed analyses of indexing, noncompliance and demographic profile of minimum wage workers. In addition, the Commission sponsored the first survey of the impact of minimum wage changes on fringe benefits. The research funded by the commission is available in one set of volumes which provide, for the first time, a comprehensive collection of studies focusing on all aspects of the minimum wage.

FINDINGS ON YOUTH SUBMINIMUM WAGE

Question: One of the focal points of the work of the Minimum Wage Study Commission was exploration of the implications of a youth/student subminimum wage. What were the findings of the Commission?

Answer: The Commission staff assessment of the literature (Brown, Gilroy and Kohen - Volume V) concludes that, according to time-series studies, a 10 percent increase in the minimum wage results in an estimated one to three percent reduction in total teenage employment (cross-section studies suggest the impact could be as high as 5 percent.) The employment impact of a general youth differential should be somewhat higher than the above estimates, but there may also be some substitution of youth for adults.

The Commission (with one dissent and one member voting "present") recommended against establishing a youth differential, and against allowing local experimentation with a youth differential.

Question: What do we know now that we did not know prior to the study and report of the Commission?

Answer: The MWSC funded two studies bearing directly on the youth subminimum. The Hamermesh study (Volume V) estimated that a 75 percent youth subminimum would increase teeage employment by a least 2.5 percent. The study by Freedman et. al (Volume V) was the first attempt to investigate the full-time student certificate program (FTS). They conducted a survey of employers who had obtained FTS certificates to determine what economic factors influenced usage and to find out directly from employers why they either underutilized or made no use of the program. Among the changes most employers said would increase their use of the program were: 1) removal of the restriction on the total hours an establishment could pay at the subminimum, 2) removal of the weekly hours restriction for each FTS employee, and 3) permiting any teenager to work at the subminimum.

ECONOMIC POLICY RESEARCH

Question: Why do you need to increase your economic policy staff by ten positions?

Answer: The Office of the Assistant Secretary for Policy has a current budget of only 45 full-time equivalent staff. Recent changes in the Department and the administration have resulted in new demands on the staff resources of the Office of Policy. These changes include the restructuring and upgrading of the Policy Review and Coordinating Committee (PRCC), formerly the Policy Review Group, and a significant expansion in Cabinet Council activities. The PRCC is now headed by the Secretary instead of the Under Secretary and the Office of Policy has assumed a full staffing responsibility. In addition, the need for analytic support for Cabinet council activities has increased significantly as a result of increased Administration experience with the Cabinet Council structure. The increased Cabinet Council activity has been reflected in an increase in interagency working groups dealing with specific issues. In order to meet these new responsibilities, the Office of Policy has had to reallocate staff from more traditional functions, such as providing technical assistance to DOL agencies in the research and evaluation areas and preparing recommendations and analyses with respect to long and short-term economic trends.

The addition of 10 staff positions in FY 1984 will permit the Office of Policy to not only maintain its expanded roles in providing staff support to the PRCC and Cabinet Council activities, but also fulfill those functions that have been neglected as a result of the reallocation of staff resources. These functions are:

1. Research and Evaluation Planning, Oversight and Technical Assistance - The Office of Policy traditionally has implemented a variety of Departmental research and evaluation activities, including:

   - a Departmental planning process designed to ensure that research and evaluation plans throughout the Department focus on the most relevant policy issues and reflected Secretarial priorities.

   - the provision of technical assistance to DOL agencies in the design and implementation of major research and evaluation projects to ensure methodological soundness of such projects.

   - the synthesis and integration of research and evaluation results into analyses of policy options.

   Seven of the ten requested positions will be focused on such research and evaluation activities.

2. Analyses of short and long-term economic trends - another traditional function of the Office of Policy has been the preparation of analyses that assess the implications of short-and long-term economic trends for the formulation of Departmental policies and programs. The preparation of such analyses has been virtually eliminated in the past two years because of staff shortages and the increased emphasis on short-term policy analyses and formulation. The Secretary now wishes to devote more staff resources to this activity.

Three of the ten positions requested will be devoted to this activity.

CONTRACTING FOR ECONOMIC POLICY RESEARCH WORK

Question: In view of the government's new emphasis on contracting out, why shouldn't ecomomic policy research work be done by contract?

Answer: The Office of Policy does attempt to contract out a maximum amount of economic policy research work. A limited amount of funds has been made available from other Department of Labor agencies to fund contractual economic policy work in FY 1982 and FY 1983. Unfortunately, the requested increase in staff is needed for staff work that cannot be contracted out.

The requested increase in staff for the Office of Policy will be used to provide technical assistance to the various DOL agencies in order to correct for the general lack of quantitative economic skills in those agencies. Moreover, such staff also will be responsible for implementing Departmental oversight functions for the Secretary, such as research and evaluation activities. Thus, the work involves a combination of providing personal services plus carrying out sensitive functions for the Secretary. Both factors dictate that such work be carried out by regular staff, as opposed to contractors.

Question: Has a study been done to compare the costs of contracting out for this work as compared to the cost of hiring additional staff?

Answer: No. Such a study is not relevant in this case, because the nature of the work dictates that additional staff be hired.

INTERNATIONAL LABOR AFFAIRS

Question: In your 1983 justifications you estimated 70 positions would be allocated to international labor affairs. Now I note you have estimated a level of 83 positions. What's the reason for the change in last year's estimate?

Answer: The change in 1983 from 70 positions to 83 positions results from a comparative transfer of 13 positions for Foreign Economic Research activities from the reimbursable account of the Bureau of International Labor Affairs to the salaries and expenses appropriation.

DEPARTMENTAL MANAGEMENT -- PRODUCTIVITY

Question: Today there is considerable pressure for the Government to go in two directions at once -- to provide more and better services and to keep down costs. These are not always impossible, competing demands. If agencies improve productivity they can reduce the cost of services without reducing the quality. Improved productivity in the Government generally means using less staffing to provide the same service, or providing more services with the same staffing levels.

The Department of Labor is one agency that provides a great many services directly to the public. Consequently, it is important to know what the department is doing -- and what success it is having -- in improving its own productivity.

Do the bureaus of the Labor Department have specific goals for improving productivity? For example, are there productivity improvement goals for the Black Lung program?

Answer: The Department's productivity program does not in and of itself set specific goals. However, the Department's performance measurement system does precisely that at all working levels within the Department.

With respect to the Black Lung program, productivity in the Division of Coal Mine Workers' Compensation (DCMWC) program is measured in several different ways:

-Workload data and performance trends for District Offices are generated from several different reports, most of which have been prepared manually. However, during FY 1983, DCMWC expects to automate them into an integrated data base management/bill payment system. This effort is expected to be labor intensive during FY 1983, but in late FY 1983 and beyond the program should be able to make substantial productivity increases as more and more of the routine recordkeeping becomes automated.

-The DCMWC conducts accountability reviews of all District Offices on a periodic basis to verify their quantitative outputs and compliance with qualitative standards of performance dealing with timeliness of actions, adherence to procedures, policies, and accuracy of adjudicatory actions.

-As a result of the accountability reviews and analysis of workload data and performance trends, changes to claims adjudication procedures are made to increase quality, productivity and efficiency.

-For FY 1983, the Black Lung program has also set program plan goals for overpayment collections that must be met on a quarterly basis.

Question: If such goals exist, what success has been made in achieving them and what savings have been achieved?

Answer: Considerable success has been achieved in most areas of the Department. The impact is most often an increase in quality and timeliness of processing or service delivery rather than in savings per se.

PLANS FOR PRODUCTIVITY IMPROVEMENT

Question: Are there any systematic plans for productivity improvement, and do these plans set out management's intentions to support the achievement of productivity goals? Please describe the plans if they exist, and the progress made in carrying them out.

Answer: The institutionalization of a productivity improvement program in DOL is accomplished primarily through two issuances in the DOL Directives System. The first is a Secretary's Order (4-79) which states DOL policy on improving Internal Productivity and Quality of Working Life as follows:

> "4. Policy. It is the policy of the Department to encourage the development of socially and economically effective ways of organizing and managing work to yield the economic benefits of higher productivity and the social benefits of increased worker satisfaction within the DOL. The implementation of this policy should lead to:
>
> a. Improved delivery of services and programs;
>
> b. Increased cost effectiveness;
>
> c. Improved staff utilization and performance; and
>
> d. Increased employee satisfaction."

That Order also assigns a leadership responsibility in this area to the Assistant Secretary for Administration and Management, and an operational responsibility to the DOL Agency heads.

The second directive is Chapter 600 of the Department of Labor Manual Series 3 on Productivity Improvement which provides guidance to the agencies in productivity measurement, productivity monitoring and reporting, and productivity improvement; seven specific devices for improving productivity are described and recommended for use in DOL.

While these directives represent the institutionalization of a productivity initiative in DOL, productivity improvement is not a program as such. We try to promote productivity as a way of life embodied in the programs and activities of the Department through managment improvement and cost reduction. In DOL we use the term management improvement to include all efforts to improve the quality and timeliness of program performance, increase productivity, control cost or mitigate adverse aspects of Agency operations. DOL requires all Agencies to conduct a self-evaluation of the efficiency and effectiveness of these programs and to plan for:

- Improved delivery of services and programs

- Increasing cost effectiveness

- Improving staff utilization and performance

As a part of this overall Management Improvement effort we are also concerned with the effective use of resources and cost reduction, cost avoidance, and cost control including:

- Eliminating overlap and duplication

- Eliminating fraud and waste

- Reducing the paperwork burden government imposes

- Strengthening administrative control

- Improving managerial accountability

PRODUCTIVITY IMPROVEMENT PROJECTS

Question: What separately identifiable productivity improvement projects were undertaken during fiscal 1982? What savings were achieved and what savings were retained or returned to the Treasury?

Answer: Representative projects and savings are these:

A. Copier Equipment. The establishment of the copy center approach and guidelines to help provide consistency in the management and operation of copying systems and to help ensure that equipment will be selected and used efficiently has resulted in savings of $500,000 per year.

B. Improve Mail Services. Improvements in technology have increased productivity, reduced the staff of the mailroom and speeded up the delivery of DOL mail to regional offices. Long term efforts to reduce State Employment Security Agency mailing costs reached the level of savings of approximately $3,000,000 per year with additional savings expected in future years.

C. Furniture Rehabilitation. By increasing the Department's capability to rehabilitate excess furniture and make it available for use in lieu of new purchases, a savings of $9, 11 has resulted.

Savings achieved as a result of these projects were applied to pay adjustments, increased cost of operations, and reductions in the budget.

Question: Is there any organization, group, or even individual in the Labor Department with the responsibility for promoting and assisting in productivity improvements? If so -- what results are they achieving?

Answer: The Directorate of Management Policy and Systems (DMPS) in OASAM is responsible for promoting and assisting in productivity improvement. DMPS works with a network of staff persons, in each DOL Agency to provide assistance in developing productivity measures and measurement systems as well as a variety of productivity improvement techniques, including the initiation of employee participation groups.

PRODUCTIVITY MEASUREMENT

Question: What use do you make of the BLS productivity data in the operating programs of the Labor Department, such as the Employment Standards Administration, where activities such as claims processing are relatively repetitive and have a high volume of workload?

Answer: The high level of aggregation of the BLS data makes it of limited direct use in the operating programs of the Labor Department, including those of the Employment Standards Administration. The DOL's performance measurement system provides information for monitoring and improving productivity at the operational level.

Question: Do you have other measures which you use for assessing the productivity performance of your operation? For example, do you have any way to tell which regions have high productivity and which have low productivity?

Answer: Over the past several years four sets of measures have evolved from the Department's Management Process (DMP). These measures have been used in whole or in part by each Agency:

- Productivity measures for use in developing DOL productivity indices for the Federal Measurement System.

- Performance measures identified in the Program Operational Planning cycle of the DMP.

- Output measures developed in the budget process.

- Performance measures for SES and Merit Pay.

Each Agency in DOL has also developed a set of Common Performance Measures which are intended to be used for all of those purposes. Regional comparisons are possible in most instances.

For example, in MSHA, management information systems are used for controlling and accounting for expenditures in the use of resources. These systems, some of which are automated, report workload information, distribution of workforce and accomplishments met. Information from these systems is used in productivity reporting, reallocating resources and determining organizational and program needs.

Question: What attempts have the Agencies within the Department made to enlist BLS' assistance in developing or improving productivity measures so they can be used for such functions as managing and budgeting?

Answer: Once again, the level of aggregation of the data is such that limited use can be derived for these purposes. However, the performance measurement systems are used precisely for those purposes.

For example, in the past two years OSHA has implemented an Integrated Management System (IMS) which integrates its planning, budgeting, and performance evaluation systems. It uses observable performance objectives and statistical indicators of performance.

PRODUCTIVITY--PERCENTAGE OF LABOR EMPLOYEES COVERED

Question: Two weeks ago Assistant Secretary Zuck told this Subcommittee, that about two-thirds of the Labor Department's personnel were covered by your productivity measurement system. However, a table put together by your Bureau of Labor Statistics for fiscal year 1981 indicates that only 38.3 percent of Labor's employees are covered. Can you explain the discrepancy?

Answer: While it was true in some prior years that about two-thirds of the activities of the Department were covered by productivity reporting measures, the fact that ETA stopped reporting data in FY 1981 caused the percentage to drop. For FY 1981, 45.6 percent of the activities of DOL reported measures of the production of some of their employees. We have found that activity is not a very precise way of determining percentage of coverage by productivity measures.

A more accurate measure used by BLS is percentage of employee years covered. The previously cited BLS report for FY 1981 DOL productivity shows that the activities of 39 percent of the DOL employees are measured by some form of productivity measurement. For the prior year the figure is 40.8 percent. Since the productivity reporting program is voluntary, an Agency may opt not to participate in a given year which accounts for the difference of percentage coverage from year to year.

UNITY HOUSE/UNITY COUNCIL INVESTIGATION

Question: Despite repeated requests for over 21 years, the Department of Labor's Office of the Solicitor has failed to determine whether two organizations in Hawaii are subject to the Labor-Management Reporting and Disclosure Act. How do you explain this time lapse in arriving at a determination of whether these organizations were in fact labor organizations under the Act and thus subject to the Act's requirements?

Answer: Assuming that this question refers specifically to the organizations known as Unity House/Unity Council, and while we do not know the entire history, we are aware this has been an open question for many years. The Office of the Solicitor will provide a legal opinion to LMSA as soon as LMSA's current investigation regarding these organizations is finished and a complete factual record has been developed.

Question: Has the Office of Solicitor or the Labor-Management Services Administration made the determination?

Answer: The Office of the Solicitor will issue a legal opinion based upon the specific facts provided upon conclusion of LMSA's current investigation.

Question: Has the Department of Labor audited or investigated the activities of Unity House Council?

Answer: Yes, there is an LMSA investigation pending at the present time.

Question: If so, what are the results?

Answer: The current LMSA investigation has not been completed yet.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will recess until Monday, March 7, when we will begin Department of Education appropriations hearings with Secretary Bell.

[Whereupon at 9:40 a.m., Wednesday, March 2, the subcommittee was recessed to reconvene on Monday, March 7.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, MARCH 7, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF EDUCATION

STATEMENT OF TERREL H. BELL, SECRETARY OF EDUCATION

ACCOMPANIED BY:
GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION
SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE
WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE

BUDGET REQUEST

Senator WEICKER. Today we welcome Terrel Bell, distinguished Secretary of Education, as we begin our hearings on the appropriations requested for the Department of Education in fiscal 1984. In addition to the specific dollar request we will consider where the Department of Education is headed in terms of policy and philosophy.

For the third year in a row, this committee is being asked to cut the education budget. The request for 1984 is approximately $13,200,000,000, about $1,800,000,000 less than the 1983 continuing resolution level. Further, for 1983, we are being asked to consider a supplemental of $4,800,000, and rescissions of $1,200,000,000, of which $900 million is associated with savings resulting from lower interest rates affecting the guaranteed student loan program. That leaves $300 million in proposed rescissions in discretionary programs for fiscal year 1983.

The committee recognizes that cuts of more than twice this magnitude were requested just 1 year ago. However, these proposals would still slice away at education programs of vital importance to this country. In my view, the proposed cuts are at odds with the administration's efforts to make more of our citizens less dependent on the Federal Government for their livelihood. Education is the key to that sort of independence.

In terms of the proposed fiscal year 1983 rescissions in discretionary programs, we are looking at a cut of $134 million in migrant education and title I funding. Among other things, title I helps disadvantaged students hone their basic skills in math and reading.

We are also looking at a $43 million rescission in bilingual education, nearly one-third of its current budget and rescissions of $69 million for categorical programs in higher education.

In the interest of acting in good faith, I think we need to understand from the start that this chairman is not inclined to recommend significant cuts in the Department of Education budget. Recent appropriations action has demonstrated this committee's unwillingness to do so.

As I have already indicated, in addition to the dollar amounts in the budget request, we also want to look at the legislative proposals that signal policy shifts in education in light of their potential impact on this and future education budgets. These proposals include the use of vouchers for compensatory education services for disadvantaged children, tuition tax credits for elementary and secondary education, creation of a tax-free savings account for higher education costs, the proposed self-help components for student financial aid, and the creation of block grants such as the one in vocational and adult education and one to the States for math and science teacher training.

These are but some of the issues included in the fiscal year 1984 budget over which members of this committee, myself included, and the education community, have expressed a mixture of interest and concern. With your assistance, we will explore the reasons behind these budget requests and policy changes.

PREPARED STATEMENT

Mr. Secretary, it is nice to have you. I wonder if you might introduce your colleagues. Your statement in its entirety will be included in the record, and you may proceed in any way in which you feel comfortable.

[The statement follows:]

STATEMENT OF TERREL H. BELL

I appreciate the opportunity to be here to discuss our budget proposal for Education programs. The President's budget request of $13.2 billion for fiscal year 1984 will continue to emphasize assistance to the disadvantaged, the handicapped, needy college students, and other areas of special Federal responsibility.

We are especially enthusiastic about four initiatives in our budget this year which comprise our response to some very real and pressing needs in American education:

- First, a science and mathematics education program to help States and localities meet the critical need for additional qualified science and mathematics teachers in our Nation's secondary schools.
- Second, an approach to student financial aid which encourages the self-help efforts of needy college students, restores the traditional roles of students and families in meeting college costs, and still provides sufficient Federal aid to help overcome remaining financial barriers.
- Third, a continued emphasis on historically black colleges and other institutions serving minorities and disadvantaged students.
- Fourth, an optional voucher program to expand opportunities for parents of educationally deprived children to choose schools that best meet their needs.

Two other initiatives which do not directly affect our budget, but which do involve education and about which we are very pleased include:

- The tuition tax credit proposal to provide more equity for parents parents who choose to send their children to nonpublic schools, and to encourage the diversity and competition we value so highly in our American education system; and
- A tax incentive program, Education Savings Accounts, which would encourage families to accumulate savings towards college costs, fitting in with our self-help philosophy of student aid.

I am also happy to report to you this year that all of our major legislative proposals are being transmitted almost simultaneously with the submission of our budget. We hope that their early consideration by the Congress will facilitate the work of your Committee as the budget process unfolds.

Now I would like to summarize the most significant aspects of our 1984 budget for you, including some additional details on the budget initiatives I just mentioned.

Budget Summary

Our 1984 request of $13.2 billion is accompanied by a revised 1983 request of $13.9 billion. This revised request for 1983 is a proposed reduction of $1.2 billion from the 1983 enacted appropriation level of $15.1 billion. Of this $1.2 billion reduction, $900 million results from lower Department estimates of the costs of the Guaranteed Student Loan program, primarily due to declining interest rates.

Another significant comparison is our $13.2 billion request for 1984, versus a $9 billion level projected for 1984 in last year's President's Budget. We have attempted to put together a budget which not only will be responsive to our present concerns about American education, but which also reflects certain economic factors, such as the tremendous improvements over the past two years in inflation and interest rates, the need to continue our efforts to control the Federal deficit, and the continuing pressures on State and local budgets.

Elementary and Secondary Education

We have allocated about $5.7 billion, or 44 percent, of our total budget to elementary and secondary education.

This year our efforts in this area are focused on education for disadvantaged and handicapped children. We in the Administration have listened to the comments and the concerns of the education community and the general public. And we have heard their voices.

As a result, we have taken very scarce discretionary dollars and have targeted them on programs serving these children. For instance, Chapter 1 with over $3 billion requested and Education for the Handicapped with over $1 billion requested, account for almost one-third of our total budget. With Chapter 1 funding, we will continue to provide compensatory education services to 5.7 million children. To the extent that States and localities identify less costly programs that meet their needs as well as currently used methods, even higher numbers of children can be served. Therefore, we will continue to identify and disseminate information about exemplary low-cost programs, particularly those that emphasize emphasize basic skills. In order to continue to meet our responsibility to serve educationally disadvantaged children with scarce Federal resources, we have reallocated funds within the total for Chapter 1, increasing support for Basic grants to LEAs, which benefit over 90 percent of the school systems in this country, and reducing the State agency programs. The majority of the savings in State agency programs will result from proposed changes in the authorizing legislation and regulations which will focus migrant funding on children who are truly migratory and have had their education interrupted as a result of moving.

For the Education of the Handicapped Act, our $1.1 billion request includes over $998 million for State grants. If enacted, this would be the highest funding level in the history of the program. These funds will continue to provide a Federal share of about 8 percent of the excess costs of educating over 4 million handicapped children.

For Special Programs and Populations, we have requested $529 million, including $479 million for Chapter 2 and $50 million for our science and mathematics initiative. The fiscal year 1984 request for Chapter 2 would support the third year of operation of State block grants, which consolidated 42 categorical programs. For science and mathematics education we are proposing block grant assistance to States. Scholarships would be awarded to teachers to enable them to teach science or math, or to people already proficient in those two areas who want to become teachers, thereby adding to the pool of those qualified to teach these subjects at the secondary level.

There is a growing gap between supply and demand for competent teachers in these areas. This gap will widen as States and localities raise standards in science and mathematics, resulting in increased student enrollments in these subjects. This proposal is our response to this national emergency. The legislation we propose has already been sent to the Congress, and I hope the authorizing committees will act on it with enough speed to allow this Committee to provide 1984 funding.

Other major emphases in elementary and secondary education include (1) $465 million in Impact Aid to support payment of full entitlement for "A" category students in the most heavily impacted school districts; and (2) $95 million in Bilingual Education to support services to over 130,000 limited English proficient children. Legislative amendments are proposed to focus basic grants to school districts on capacity building, to allow a broadened range of instructional approaches to best meet local needs, to target assistance on children whose usual language is not English, and to strengthen the role of State education agencies in this area.

Finally, we plan again to submit legislation to consolidate the vocational and adult education programs. The principal purposes of this legislation will be to enhance the role of vocational and adult education in economic development; and to simplify administration and increase flexibility for State and local policymakers. Our request of $500 million -- the same as last year's request -- is an appropriate amount given the consistently high overmatch of State and local to Federal funding.

Postsecondary Education

We have distributed $5.8 billion, or 44 percent, of our budget to postsecondary education, which is about the same percentage as that allocated to elementary and secondary education. As you compare the absolute dollar figure with the 1983 appropriation, please keep in mind that most of the reduction occurs because of a significant decline in the Treasury bill rate used to calculate GSL subsidies.

We are proposing a new philosophy of student assistance which will emphasize student self-help through loans and work. To implement the new philosophy, we propose a single Federal "Self-Help Grant" program funded at $2.7 billion -- and this would basically be a restructured Pell Grant program -- in place of the three current Federal grant programs.

Under this new program, all students will, for the first time, be expected to provide a minimum amount of funding themselves -- generally 40 percent of costs, but at least $800 -- before receiving

Federal grant assistance. Under current law, it is possible for some students to go to college entirely at Federal expense.

Further, we propose that all Federal grant awards take the expected family contribution into account. Under current law, students from families of substantially different financial circumstances are often treated the same. We also propose increases in the assessment rates which determine the expected family contributions in order to help restore family responsibility in meeting college costs.

Assistance to minority institutions, including historically black colleges, will continue to be one of our highest priorities. We are requesting a 1983 supplemental of $5 million for aid to institutions under Title III, bringing 1983 budget authority in that program to $134.4 million. In addition, we are proposing a legislative set-aside for historically black colleges which will increase Title III funds going to such institutions from $42 million in 1983 to $45.7 million in 1984. We are also proposing to target $35 million in Special Services for the Disadvantaged support to institutions serving minority and disadvantaged students. When added to the Minority Institutions Science Improvement program, and substantially increased support for Howard University, we expect to be providing significant resources to minority institutions.

Other

We have allocated $1.6 billion, or 12 percent of our budget, for a variety of other programs.

For rehabilitation services we are continuing the program at the 1983 level of over $1 billion, and we are proposing new legislation with performance-based funding designed to reward States for the successful rehabilitation of the severely disabled. This proposal will promote functional and economics independence for the most severely handicapped.

We will continue support for important research and development activities to improve the quality of education, and our basic education statistics program. We will continue efforts to assure that such research improves educational practice by getting results out to States and localities. We will also provide leadership in the area of excellence in education through the recognition of exemplary schools, and implementing the findings of the Commission on Excellence.

Now, Mr. Chairman, I would be happy to answer any questions you and the other members of the Committee may have.

Biography of Terrel H. Bell

NAME : Terrel H. Bell

POSITION : Secretary of Education

BIRTHPLACE AND DATE : Lava Hot Springs, Idaho, November 11, 1921

FAMILY : Married, 4 sons

EDUCATION : Lava Hot Springs High School, 1940, High School Graduate
Southern Idaho College of Education-Albion, 1946, B.A.
University of Idaho, 1954, M.S. in Educational Administration
Stanford University, 1954, Graduate Study
University of Utah, 1961, Doctorate in Educational Administration (with allied field in Political Science)

EXPERIENCE :

PRESENT : Secretary, United States Department of Education

1976-1980 : Commissioner and Chief Executive Officer, Utah System of Higher Education, Salt Lake City, Utah
1974-1976 : U.S. Commissioner of Education, U.S. Office of Education, Department of Health, Education and Welfare, Washington, D.C.
1971-1974 : Superintendent, Granite School District, Salt Lake City, Utah (Utah's largest school system -- 63,000 students)
1970-1971 : Deputy Commissioner for School Systems, U.S. Office of Education (served for six months as Acting U.S. Commissioner of Education)
1963-1970 : Utah State Superintendent of Public Instruction, Salt Lake City, Utah
1962-1963 : Professor and Chairman, Department of Educational Administration, Utah State University, Logan, Utah
1957-1962 : Superintendent, Weber County School District, Ogden, Utah
1955-1957 : Superintendent, Star Valley Schools, Afton, Wyoming
1954-1955 : Ford Foundation Fellowship in School Administration -- University of Utah and Stanford University
1947-1954 : Superintendent, Rockland Valley Schools; Rockland, Idaho
1946-1947 : Athletic Coach and Science Teacher, Eden Rural High School, Eden, Idaho
1942-1946 : First Sergeant, U.S. Marines in Pacific Area (World War II)

HONORS AND AWARDS : Secretary's Special Citation for outstanding service to HEW (from Secretary David Mathews), 1976
Secretary's Special Citation for encouraging schools and colleges to improve the quality and management of the Nation's educational enterprise (from Secretary Caspar Weinberger), 1975

Certificate of Merit of State Boards of Education, Edinboro State College, Edinboro, Pennsylvania, 1975

University of Idaho Alumni Association Hall of Fame, 1975

Honorary Doctorate of Humanities Degree, Westminster College, 1974

Gautrelet Award of Spring Hill College of Mobile, Alabama, 1974

Honor of Merit, National Federation of Urban/Suburban School Systems, 1974

Distinguished Service Award, National Association of State Boards of Education, 1973

Secretary's Special Citation for outstanding service to HEW (from Secretary Elliot Richardson), 1971

Commissioner's Distinguished Service Award (from Commissioner Sidney P. Marland, Jr.), 1971

Outstanding Service Award, Utah School Boards Association, 1970

Honorary Doctorate of Humanities, Southern Utah State College, 1970

New Junior High School in Weber County, Utah named "T. H. Bell Junior High School", 1963

BOOKS AND PUBLICATIONS:

Active Parents' Concerns, Prentice Hall, Inc., Englewood Cliffs, New Jersey, 1974

MBO: A Performance Accountability System for School Administrators, Parker Publishing Company, West Nyack, New York, 1974

Your Child's Intellect: A Parent's Guide to Home Based Preschool Education. Olympus Publishing Company, Salt Lake City, Utah, 1972

Effective Teaching: How to Recognize and Reward Competence. Exposition Press, New York, New York, 1960

A Philosophy of Education for the Space Age. Exposition Press, New York, New York, 1960

The Prodigal Pedagogue. (a novel) Exposition Press, New York, New York, 1956

INTRODUCTION OF ASSOCIATES

Secretary **Bell**. My colleagues are Gary Bauer, who is Deputy Under Secretary for Planning, Budget, and Evaluation; Sally Christensen, who is Director of Budget Service; and William Dingeldein, who, among other things, has the best knowledge we have about student aid, an area which is very complex. I thought you might ask some questions that might stump me and I could ask Bill to bail me out.

I would like to make a brief summary of my statement and submit it for the record, Mr. Chairman.

SUMMARY OF BUDGET REQUEST

As your summary has indicated, we are asking for a $13,200,000,000 budget compared to this year's appropriation of $15,100,000,000. After we deduct the amount of money that is saved because of the guaranteed student loan interest rates, we are about $850 million under the 1983 appropriations.

I would point out, as you also recognized, Mr. Chairman, in your opening comments, that this is closer than we have ever been in education funding, and it reflects the President's concern about education. Strongly pulling in the other direction is an enormous concern about the size of the deficit and what that might do to interest rates and to the economic recovery. In our budget, we have tried to support the programs that we have felt are of the highest priority.

Mr. Chairman, I have proceeded to develop a budget of $13,200,000,000 with approval from OMB after we had had all of our discussions and exchanges on it. We then had to determine what are our highest priorities, what are our highest needs, and where we can adjust to take that dollar amount out of the budget. In doing that, of course, we had to make some choices that we would acknowledge were a bit painful to us.

I would point out that we are spending about 44 percent of our budget on elementary and secondary education, and a like percentage in postsecondary education. We tried to avoid cutting the amount available for student aid. We have proposed an approach to student financial assistance, a source of debate, because of its self-help feature and the requirement of self-help for students who could qualify for a Pell grant. I am sure that will be the subject of some discussion.

We have a fairly large decrease in our proposed budget in vocational education. But you should not look at that without looking at the other agencies, largely the Labor Department, which assist vocational and adult education and the other areas, including our work study program, that have fairly significant vocational assistance features to them. We tried to level fund aid to the disadvantaged and aid to the handicapped. We tried to target our student aid money on the lowest income students.

NEW MATH AND SCIENCE PROGRAM

We are also proposing a new math and science education program aimed at increasing the supply of math and science teachers by giving $5,000 scholarships to persons who could qualify in a short period of time to become high school math and science teachers.

This is a $50 million program, and one, again, that had to be funded out of my total budget allowance of $13,200,000,000. Because of the limited funds available, we have tried to target those resources on the teacher supply problem. We think our proposal would produce about 10,000 new math and science teachers a year.

We have been working to get our legislative proposals up here along with the budget where it requires legislative changes. Some of them are here now. We can get into the others as you question us. All of our legislation that will have implications for the budget will be transmitted to the Congress either this week or the next.

TUITION TAX CREDIT PROPOSAL

We have our tuition tax credit proposal that you are well aware of, Mr. Chairman; our education savings account proposal is also well advanced in its drafting and will soon be here, although that one does not have budget implications.

Compared to the controversy surrounding last year's budget, especially cuts in student aid and aid to the disadvantaged and handicapped, we feel that we have a better budget. We think it reflects a balance between the necessity that we all recognize, to be as frugal as we can, because of the size of the deficit, and a recognition of the needs that I surely join you on, Mr. Chairman, and that is that education is the key to getting people independent enough so they don't need Federal help and Federal welfare and other Federal expenditures.

We appreciate the opportunity to appear before you this morning, and would be happy to respond to questions.

BUDGET PROCESS

Senator WEICKER. Thank you, Mr. Secretary. You referred several times to your budget allowance of $13,200,000,000. In other words, to use your words, you had to work this out of $13,200,000,000; am I correct?

Secretary BELL. Yes.

Senator WEICKER. In other words, you were given a figure first, and from that you evolved the allocations to the various programs within your Department?

Secretary BELL. Yes.

I would not want to indicate that we do that independent of responses from OMB and senior White House staff. But I have had considerable discretion as to where we spread these funds.

Senator WEICKER. But as far as the $13,200,000,000 is concerned, in other words, that is the figure within which you were given to work.

Secretary BELL. Yes.

Senator WEICKER. Isn't that sort of getting the process backward? It seems to me the first thing that happens is that you present to the OMB and the White House what the optimum is as you would see it, and they might come back to you.

But I don't understand the process where you are told that you have a dollar figure to deal with.

Secretary BELL. As you well know, Mr. Chairman, the budget-building process goes on for months. Our colleagues at OMB look at funding and areas where they feel there is a high priority and where there is a lesser priority. We do likewise.

We get an initial guidance figure from them. I might indicate that as we began to talk about this budget, it was much lower than that. As you recall, the last year's budget showed the out years. The out year for 1984 was $9 billion. So we feel that in the exchange and in the discussion that we enjoyed some pretty good support from our colleagues at OMB and the White House as we began to defend the needs and describe the impact of what a $9 billion budget would bring us to. It is because of and a result of that exchange that we were able to get our budget up to $13,200,000,000.

OMB ROLE IN BUDGET

Senator WEICKER. You and I might agree or we might disagree on certain matters, but certainly I am never going to doubt your credentials. You are superb for the position you are in. Who is the fellow at OMB who is the expert in education?

Secretary BELL. There are quite a number over there, a number of career civil servants, incidentally, who have worked——

Senator WEICKER. Is there someone from OMB here who is in charge of the Education Department issues?

[No response.]

Senator WEICKER. Honestly, I find it amazing that that is the process used, and this is not in criticism of you. It is obviously beyond your hands.

But I want the record to show very clearly that that is not the way I feel a budget ought to be put together. It does not mean to say that I would agree with whatever the final figure would be that came up. It seems to me the process starts with you and you go for everything that you feel appropriate, and meaningful. It then might be that it has to take its place among other priorities and the administration would have to make its cuts. Again, I might disagree, but I understand that process.

But to say that you have got to operate within a figure, I do not understand it at all. It shows me the lack of understanding as to exactly what the economic effect is on education and the resulting economic effect on the Nation as a whole vis-a-vis education moneys.

I do not mind telling you that there are some of us that feel that for whatever has been achieved in budgetary success in fiscal years 1982, 1983, and 1984, there is going to be a terrible price to be paid in the out years, which nobody is talking about right now, in terms of either missed opportunities that would add to the economic strength of the

Nation by virtue of education, or a cost paid by those who do not get educational services that will be a charge on the Nation as a whole.

Let me say this: I view it in that light, that there is a cost to be paid. That is probably where the conflict between myself and OMB comes.

Secretary BELL. I think their understanding of the impact of this budget and also the President's understanding of it is reflected in the fact that we moved from an initial discussion of $9 billion up to $13,200,000,000. I would like to give the President, especially, credit for that, when we are facing a $200 billion deficit. It's difficult to increase these numbers.

Senator WEICKER. I will give the President credit for many things, Mr. Secretary, but I will tell you, I am still simmering over a little confrontation—not confrontation, but a little session we had last week.

Certainly, in terms of having us look at all Federal programs and doing his best to bring down the costs, he deserves credit. Credit for increasing the defense spending, he deserves credit there.

But when I see all of a sudden some recognition coming that we ought to up the moneys a little bit from what was projected, I begin to think maybe this is not educational but that it is political. I am sorry. In this area here, the initiatives in terms of education, I would say, have come more from men like Senator Stafford and others on the committee than they have from the White House.

As far as I am concerned, if they see the light to the point where they are $4 billion ahead of what they originally went for, that's all to the good. I am not going to go ahead and fight that part of it. Indeed, I will try to go ahead and use that as a base on which to add. But I really worry about a process that is constructed in the way that has been described here today.

Now, I have one more question, and then I will allow my colleague to ask his questions, and we will keep on going back and forth.

QUALITY OF PUBLIC EDUCATION

In the State of the Union address, the President mentioned four education priorities, including tuition tax credits and prayer in the public schools. I would like to know how such priorities as tuition tax credits and prayer in the schools are going to improve the quality of public education in this country today.

Secretary BELL. The feeling on tuition tax credits is that it supports our view that we need to provide a lot of choice. We need to support diversity. The private schools do a great amount of public good. It is also a matter of equity for parents who pay the full tax load that others pay for services that they utilize—admittedly because they choose to send their children to private school. If we can continue to make it possible for those parents who want to, for their own reasons, send their children to private institutions, then that is going to help the entire American education enterprise by supporting good, strong, viable institutions.

The tuition tax credit program on the elementary-secondary school level in many ways parallels our very fine student aid programs. Students can choose to go to a private institution, for example, one that is oriented toward a certain religious denomination, and so on, on the higher education level. We have looked at this as an elementary-secondary component of what we have had for a long time on the postsecondary level.

I might observe that most of the modern western countries provide some form of assistance to their private institutions. Of course our proposal is not assistance to the institution; but it is assistance to the parents who have paid the tuition.

I think the issue of prayer in the schools is, of course, not related to this. I could not sit here and allege that it is going to improve the quality of education. I think it is more a philosophical view and a long held argument about what is really meant by "separation of church and State," and what is the strict construction of the first amendment.

I would emphasize this, Mr. Chairman. I have been in public schools all of my life. I have four sons. They attended public schools. I have an elementary school boy who is in a public school now. My own choice is for the public schools. I prefer the public schools. But I respect those who want to make another choice. I, for one, don't believe that the tuition tax credit program will be harmful to the public schools. I don't think the experience in Minnesota has proven any decline in enrollment. I feel as an enthused advocate of the public schools that the public schools can compete adequately and effectively in the arena.

TUITION TAX CREDIT PROGRAM

Senator WEICKER. Of course, we are talking at a time when, admittedly, the budgets for a variety of other reasons are being reduced. This can only further reduce the resources that are allocated to the public school system. Within my lifetime, because of men like yourself and women, public school systems have been taken from something that—believe me—did not hand out a very good education. I went to private schools. I went to private schools because that is where the education was, and as I progressed in the private school structure, very few people came out of the public schools, because they could not make it insofar as standard of education is concerned—to a point, now, where—believe me—the youngsters coming out of the public schools are fully the equivalent, and sometimes better than, the ones coming out of the private schools, and that obviously has taken a great effort in terms of personnel, the teachers, and obviously a commitment of resources by all governments to achieve that.

Now, I don't understand where we have reached the point where the public education does not need the resources and private education does. That is what my concern is.

Secretary BELL. I think the proposal that we have is very modest. It reflects the concern that we all have about this area. We estimate that it will cost $200 million the first year. It starts with a $100 credit and then goes to $200 and then $300. Originally, we were talking about half the cost of tuition.

Senator WEICKER. $100 million was projected in the second year.

Mr. BAUER. $500 million in the second year and $800 million in the third year.

Senator WEICKER. I am sure Senator Proxmire will have additional comments to make. I do not mean to get into a long debate on something that obviously is going to be debated at length. But I repeat that the main point I care to make is that fewer resources are being allocated to public education because of other budgetary constraints. And it seems to me this is an ill-advised time to proceed with a new program which, in effect, is going to further cut public education and divert those resources over to the private side.

HANDICAPPED AND TUITION TAX CREDITS

One last question along the same line. Under the tuition tax credit proposal, would you require private schools receiving Federal aid to provide the same services to handicapped children as required of the public schools under the Handicapped Education Act?

Secretary BELL. Gary, would you handle that?

Mr. BAUER. Yes; I would hasten to add that we do not believe that tax credits are aid to private schools' tuition. Tax credits are based on the very strong belief of the President in parental choice; we see the credits as aid to parents, enabling them to exercise that choice in whatever way they would like.

The draft of the tuition tax credit bill that we have sent to the Hill does not have a provision in it that puts restrictions on private schools as far as providing the physical facilities in a private school that the public schools must have to service handicapped children.

As you remember, that provision was added last year, I believe, by the Senate committee. We will wait to see whether it is added again this year. It was not put in our draft because of the great concern by some of the private schools as to whether their resources would enable them, in order to provide access to perhaps one or two students, to make the great expenditures in funds.

Senator WEICKER. What you are saying is the way you get around deviating from what is accepted policy by the Government concerning Federal aid to handicapped students, given that those services are required by Federal law, is that this is aid to parents rather than to schools.

Is this correct?

Mr. BAUER. We feel very strongly——

Senator WEICKER. That is the rationale. What if parents want to discriminate?

Mr. BAUER. We feel very strongly that permitting a parent to keep more of their tax revenues can only be interpreted——

FEDERAL FUNDS AND DISCRIMINATION

Senator WEICKER. I understand. But what I'm saying to you is I think we would both agree that once Federal funds go to the institution, then it is subject to Federal laws insofar as discrimination is concerned.

Wouldn't that be correct? On the basis of physical condition or color, sex, or anything else? Right? What I'm trying to find out is why this rationale is aid to the parents. I'm beginning to think that maybe this is a dodge, if you will, to avoid what clearly steps outside the law so far as Federal moneys are concerned.

Mr. BAUER. First of all, there is a very strong provision in the legislation that prohibits the money from being used by parents to send their children to schools that discriminate on the basis of race.

We have provided that in the legislation, again.

Senator WEICKER. To me, that is an important issue. It certainly is the one that stands out the most in our minds.

What about somebody that is handicapped? Why isn't that coming into the same category? I don't understand. It is not all right to discriminate on the basis of race, but all right to discriminate on the basis of the handicap?

Mr. BAUER. I don't think the bill would permit discrimination on the basis of the handicap. The point that is made, and you have said exactly what appeared in the press, that it divides the bill's supporters.

Senator WEICKER. I think we understand where we're coming from on the issue, but it clearly is one of the flaws, I believe, in what is being proposed here.

But it's a very cute word, this matter of choice. The fact is that we all have, I am sure, the dark side to our natures in one form or another.

And the beauty of our Constitution is that it does not permit that dark side to come forth in any manner. That is the value of the Constitution.

We're all imperfect as individuals, but we don't permit that individual flaw to, in effect, become the law for collective society, for the body politic.

The Constitution says it for all of us; it does not allow us the liberty which, given any sort of expression, can be very hurtful to great numbers of people.

Senator Proxmire?

Senator PROXMIRE. I'm glad I had a chance to hear that philosophical exchange. I think it is fascinating.

I happen to share the views of the Secretary and the administration on the tuition tax credit issue. But I certainly admire the fight that you put up on this and related measures in the Senate, and the extraordinarily fair way that you have stated your position this morning.

Senator WEICKER. Maybe you and I ought to shift seats and parties. [Laughter.]

EDUCATION PROGRAMS IN JOBS BILL

Senator PROXMIRE. Mr. Secretary, one of the most pressing issues that we have before us now is the jobs bill that's going to come up on the Senate floor this week.

We're going to have to make some decisions on programs to be included in the jobs package including education programs.

Can you give us your best estimate as to the number of employment opportunities additional funds for education would create? Let me list the programs one by one.

The first program is college work study. The Senate proposal would increase the fiscal 1983 appropriation by $100 million.

How many part-time jobs would that create for students?

Secretary BELL. The typical amount of funds that a student earns a year, divided into that appropriation, would provide that number.

I think Mr. Dingeldein would know better than I would.

Mr. DINGELDEIN. Divide by $800, whatever that would give you.

Ms. CHRISTENSEN. Approximately 150,000.

Mr. DINGELDEIN. 125,000.

Secretary BELL. One of the items that we ought to emphasize, as we look at $100 million more in work study, is that the institutions under current law must match that money 20 to 80 percent.

Our colleges are quite hard-pressed for funds. We would need to do a survey to determine their capability to match. We ought to be about that now.

Senator PROXMIRE. Schools must provide 20 percent while the Federal Government pays 80 percent.

Secretary BELL. They have to put up 20 percent. We put up 80 percent.

Senator PROXMIRE. The assumption is that the schedule can all come through with their 20 percent. Then the added funds would pay for 125,000 jobs.

Secretary BELL. Yes.

Senator PROXMIRE. Would this be during one school year?

Secretary BELL. Yes; I might emphasize that our budget proposal has a 60-percent increase in work study. We are on the same wave length in that regard.

We think that work study does a good job. We have a self-help provision in our proposal this year. We think students ought to use work study more, because we are concerned about the indebtedness that many students are incurring.

Senator PROXMIRE. You are also proposing that students provide 40 percent of their educational costs?

Secretary BELL. Yes; but in providing that 40 percent, they can use their work study money; they can also use their loan money to make up that 40 percent.

It is not as onerous as it appears.

Senator PROXMIRE. How much would each student earn on the assumption that an additional $100 million would provide the 125,000 jobs?

Mr. DINGELDEIN. It is about $800. That is the average earnings. Let me correct a figure I gave you. I did not include the institutional matching.

It would be 150,000 jobs, if you count the additional 20 percent that the institutions provide.

Senator PROXMIRE. Thank you.

Secretary BELL. We would also point out that if the institution cannot match it, they can arrange a work study opportunity someplace in the private sector.

As unemployment goes up, as you well know, college enrollments increase as people go back to school.

WORK STUDY STANDARDS

Senator PROXMIRE. Do you have any standards? You say schools can arrange a work study opportunity in the private sector. Do you have any requirements that the work study will relate to the curriculum that the student is pursuing?

Secretary BELL. We do not require it by regulation, but we strongly urge and emphasize it. We preach it at every opportunity.

We find most institutions doing that. Graduate students, for example, use this program. We have a large number of people that return to graduate school. They have baccalaureate degrees but are unemployed.

This program gives them a chance to work in certain graduate fields, for example in the college of engineering, or chemistry, or some other area in which they specialize.

Senator PROXMIRE. $800 is pretty modest. Do you mean $800 for an entire school year?

Mr. DINGELDEIN. That is an average.

Senator PROXMIRE. Even so, it is a very limited amount.

Secretary BELL. It is.

ARCHITECTURAL BARRIERS REMOVAL

Senator PROXMIRE. Then the Senate jobs bill includes an additional $40 million for removing architectural barriers for handicapped students in elementary and secondary schools.

How many jobs do you think those funds would support?

Secretary BELL. I would not have a grasp on that.

Ms. CHRISTENSEN. Roughly, about 1,000 jobs.

Senator PROXMIRE. In the entire country?

Ms. CHRISTENSEN. Yes.

IMPACT AID CONSTRUCTION

Senator PROXMIRE. The Senate jobs bill would also add $25 million to the $35 million approved by the House for impact aid construction. How many employment opportunities would these funds generate?

Secretary BELL. Incidentally, that would be further down the line. It takes about 1 year to design a building, unless the building's all designed and ready to go.

Senator PROXMIRE. In some cases, they are.

Secretary BELL. That's true. I would not have a number.

Ms. CHRISTENSEN. It would be about 1,500 jobs, roughly.

Senator PROXMIRE. In the whole country?

Ms. CHRISTENSEN. Yes.

Senator PROXMIRE. When would the jobs be created?

Ms. CHRISTENSEN. As the Secretary said, it takes a while to get——

Senator PROXMIRE. You would expect it to take 1 year or so?

Ms. CHRISTENSEN. Probably, before all projects that could be funded were underway. About 5 to 10 percent of that money would be spent in the first year for design and planning. I think that the actual construction really does not get going until the second year.

LIBRARY CONSTRUCTION

Senator PROXMIRE. The third program is library construction. The Senate version of the jobs bill includes $50 million for public library construction.

How would that translate into jobs?

Ms. CHRISTENSEN. That would be roughly the same amount.

Senator PROXMIRE. It would fund 1,500 jobs?

Ms. CHRISTENSEN. Yes.

Senator PROXMIRE. Wisconsin is a 2-percent State. We have 2 percent of the population. We pay 2 percent of the taxes, and received about 2 percent of the benefits.

Does that mean we would get 30 jobs, although we have 125,000 students at the University of Wisconsin and all of its branches.

Ms. CHRISTENSEN. There again, that program has not been funded for a number of years. Even though the regulations are in effect, it would take time to gear up and get going.

And even then it would take longer.

WORK STUDY PROGRAM

Senator PROXMIRE. I'm sure that there is merit in each of these programs. I do not mean to demean them at all. But the only really substantial program is the work study program, isn't it?

Secretary BELL. I think so.

Senator PROXMIRE. It would provide 125,000 or 150,000 jobs.

Secretary BELL. I am an enthusiastic supporter of work study. I think we ought to be doing more than we're doing. That's why we have a 60-percent increase.

Senator PROXMIRE. I think the concept is very wholesome in every way. But 3 or 4 years ago, when I toured a number of campuses, I found a lot of work study programs weren't making it.

The students could do better on the outside.

Secretary BELL. I think so. But I think it is different now, with today's employment climate.

GUARANTEED STUDENT LOAN PROGRAM

Senator PROXMIRE. Audits concluded last year by the Inspector General identified substantial opportunities for improving the effectiveness of programs administered by the Department. They also included recommendations aimed at recovering millions of dollars in misspent Federal funds.

Under the guaranteed student loan program, for example, the Inspector General recommended that you recover the advances provided in the past to State student loan guarantee agencies, as well as interest earned. The cash advances were originally provided as seed money to help the agencies establish reserves against potential losses from defaults. Given the fact that they have built up substantial cash reserves since the program began in 1965, there seems to be little justification to retain these funds.

Implementing the Inspector General's recommendations would reduce the Federal debt by $86 million, and cut interest outlays by $5 to $10 million annually, depending on the Government bond rate.

Although you have proposed bill language requiring these agencies to return the advance funds to the Secretary of Education, no mention is made of the interest earned by the State.

Can you tell us why?

Secretary BELL. I don't know whether we can lawfully do that. I presume we could if we included it in our debt collection bill. It is a good point you are making, Senator. That bill will soon be up on the Hill.

I do know we now have authority with Federal employees to proceed with debt collection. In addition to that, I have created a Credit Management Board in the Department.

We feel very keenly that we need to be pressing much more vigorously in our debt collection area.

I would also point out that we have moved on the national direct student loan program. Institutions that have a default rate in excess of 25 percent will now be denied participation in the program.

We have had a high-default rate in the national direct student loan program.

INTEREST EARNED ON FEDERAL MONEY

Senator PROXMIRE. Is it your understanding that the law does not allow you to collect the interest that the States have earned on this Federal money?

Secretary BELL. We have had some debate and dispute, and even litigation, over interest on all Federal moneys, and where they've gone.

Mr. Dingeldein, can you respond to that further?

Mr. DINGELDEIN. I'm trying to recall. We have a debt collection bill that we propose to send up to the Hill shortly. My recollection is that we are proposing to put a provision in there which would allow us to recapture interest.

Senator PROXMIRE. Do you have an opinion on that from your General Counsel?

Secretary BELL. I frankly don't know.

Mr. DINGELDEIN. The opinion is that we need the authority.

Senator PROXMIRE. You need the authority.

Secretary BELL. I would indicate, Senator, that if it is not in the bill, I will surely be in full support of a provision that we have authority to recapture the interest, as well as the principal.

GUARANTEED STUDENT LOAN PROGRAM

Senator **Proxmire.** How much more do you estimate will be necessary in fiscal 1984 for the guaranteed student loan program, if Congress does not go along with the administration's proposal to tighten up the eligibility standards and raise the origination fee for graduate students?

Secretary **Bell.** I don't think we will have a need for any increase in the program. In fact, the interest rates are falling, as you remember.

The Federal interest rate is tied to the Treasury bill rate.

Senator **Proxmire.** What I asked is if the Congress does not go along with the proposal to tighten up the eligibility standards and raise the origination fee for graduate students, how much more will we need?

Mr. **Dingeldein.** About $122 million in fiscal year 1984. That is our estimate of lost savings from our proposals. If the Congress did not enact the proposals we would need that amount.

LOAN PROGRAMS WITH OUTSTANDING DEBT

Senator **Proxmire.** The budget documents indicate a major initiative is underway to reduce the $4,800,000,000 in defaulted student loans and other outstanding debt.

That is an enormous amount of money owed to the Federal Government, $4,800,000,000.

What is this major initiative and how does the Department intend to recover those delinquent debts?

Secretary **Bell.** In our work with our Assistant Secretary of Postsecondary Education and with our student financial aid people, we have set a series of quotas for them to strive to meet. We have also implored the private sector to help us in debt collection.

We have awarded contracts to debt collection agencies whose business it is to collect on defaulted loans. That is just starting to gain momentum as it took us some time to comply with the Federal procurement procedures. We have also asked for additional staff in the area of debt collection.

Those are some of the things that were referred to in the budget document.

Senator **Proxmire.** You have set quotas, begun to use private agencies, and asked for additional staff?

Secretary **Bell.** Plus our debt collection bill that will soon be up on the Hill, that will broaden our authority and give us access to more information.

Senator **Proxmire.** For the record, can you break out each program listing the amounts in default, and the average age of the debt?

Not now, but for the record?

Secretary **Bell.** Yes.

[The information follows:]

AMOUNT OF STUDENT LOANS IN DEFAULT

As of March 26, 1983, the Department of Education's current defaulted student loan portfolios are as follows:

Federal insured student loans (FISL)	$881,859,000
Assigned, national direct/defense student loans (NDSL)	352,863,500
Total	1,234,722,500

The above amounts represent only the defaulted guaranteed student loans (GSL) and national direct student loans (NDSL) for which the Department of Education has collection responsibility. Most GSL defaults are held by the State and private nonprofit guarantee agencies; these default amounts currently total about $1 billion. Most NDSL defaults are held by the schools themselves, rather than being assigned to the Department; these school-held NDSL defaults also currently total about $1 billion.

We do not have the immediate availability of computer programing capacity necessary to answer your question regarding the age of Department-held default accounts. We will provide this information as soon as resources become available.

PRIVATE COMPANIES AND STUDENT LOAN DEBT

Secretary **Bell**. I would indicate, Senator, that we have obtained a matching list of Federal employees who are in default. We're in the process of finalizing that.

I will be presenting that list to all of the Cabinet Secretaries, so that they will know what employees are in default. We'll be requesting them to respond and exercise the authority that we have to get this money back by withholding from salaries, if necessary.

Senator **Proxmire**. Let me ask one more question before I yield to the chairman. The Heritage Foundation came out with a report on January 26 which proposed selling off your student loan debt to private companies which specialize and have expertise in collecting bad debts.

The foundation estimated that if the private companies can expect to collect on 75 percent of the loans—and that is a modest estimate because the collection rate for consumer loans is 90 percent—the value of your student loan bad debt account should approach $1,500,000,000 on the open market.

How do you respond to that suggestion?

Secretary **Bell**. I don't agree with all of that. I think to sell off all of our loan debts would not be a wise move. We are having considerable success in our collection efforts.

I referred to private sector collectors. We do turn over to them loans that the employees in our regional offices have been unsuccessful in collecting.

We would like to get the easy-to-collect money back in ourselves. We think that it is in the interest of the Government and the taxpayer.

Then our contracted collectors can go after the more hard resisters.

If we proceeded as the Heritage Foundation recommended, I think that we would hand to the private sector a bonanza in commissions on some of these debt portfolios. I don't think we ought to do that. They would pick up more than I think would be justified. I think our employees ought to work those debts first.

INDEPENDENT APPRAISAL OF PRIVATE LOAN PROPOSAL

Senator **Proxmire**. Have you had any expert advice on whether or not it would be wise from the standpoint of the Government to sell this bad debt?

It seems to me that people with experience in the private sector could look at this problem—not the people, of course, who would buy the debt, but others—and advise you on how you could maximize your return.

Secretary BELL. Not on that specific item, but we had a Booz, Allen report. It was based on our bidding out loans to the private sector collectors after we had worked the loans first.

Senator PROXMIRE. Did the Booz, Allen report recommend the procedures you are following now?

Secretary BELL. Yes.

Senator PROXMIRE. In preference to an overall sale?

Secretary BELL. They did not examine the overall sale proposal, but we had them examine——

Senator PROXMIRE. Wouldn't it be good to have somebody like Booz, Allen look at that alternative?

Secretary BELL. I think it would. They looked at whether we ought to contract out all of our debt collection and eliminate all of our Government employees who are currently in debt collection.

They thought that we ought to have a mix of the two, where we work hard to collect our funds first and then turn over the hard resisters to the private sector. That is the way we have been doing it.

Senator PROXMIRE. This is one issue on which you can find general agreement, especially when the debtors are people who have done well because they received a higher education.

I recently found that doctors, whom I greatly admire—my dad was a doctor and my son-in-law is a doctor, it is probably the greatest profession there is—had a shameful record of delinquency in paying back their loans. There is absolutely no excuse for it.

Secretary BELL. We have very high-ranking military officers, full bird colonels, who have been refusing to pay back their loans.

Senator WEICKER. Any U.S. Senators?

Secretary BELL. None that we care to mention. [Laughter.]

I should indicate, Mr. Chairman, that in our analysis of all the departments we found 107 employes in default. That number has been worked down to around 62. For my own employees, obviously we have gotten to them since then. There was a large number.

The largest number because of the number of employees, is in the Defense Department. We have a huge number there. We will be turning the printouts over within the next couple of months to each of the departments.

Senator WEICKER. I would agree with Senator Proxmire, there is no disagreement on that issue as to what should be done, and I am glad to see that you are on track on doing it.

CHAPTER I VOUCHER SYSTEM

In fiscal year 1984, you will be proposing legislation to establish a voucher system under which the parent of a disadvantaged child would be able to elect what school his or her child will attend, whether it be public or private.

Can you elaborate on how this program will work?

Secretary BELL. Yes; first of all, we are still working on the legislation. A draft bill is now at OMB. We are working on the provisions.

The concept is that we would make this a local option. It would be up to the local school board as to whether or not they would grant a voucher.

If a parent wanted to enroll a child in another school, either a private school or another public school in a neighboring school district, and if this was a child who was entitled under the disadvantaged provision to receive funds, then the parent would have an opportunity, with the approval of the local school officials, to place that child in that setting. The $520 that we provide in chapter I money would follow the child.

Our idea is that that decision ought to be entirely up to the local school officials as they work with parents on it. There are some children who are educationally disadvantaged, but nonetheless we know are very gifted and talented. We think that some of them might well do better if they could be placed in a more challenging education setting than some chapter I schools.

FORWARD FUNDING AND VOUCHER SYSTEM

Senator WEICKER. We forward fund most education programs in order to enable school districts to plan for the coming school year and apportion their resources. With regard to vouchers, what safeguards will be built into the system to avoid disruptions and uncertainty to the schools?

Secretary BELL. The biggest safeguard is that we would leave the program in the hands of the local school board and the superintendent. If they did not want to grant vouchers, they would not have to. If they wanted to grant it on an individual-by-individual basis, they would have authority to do that.

VOUCHERS AT CHURCH-AFFILIATED SCHOOLS

Senator WEICKER. Would vouchers be able to be used to pay tuition to the church-affiliated schools?

Secretary BELL. Yes, they would, but there would be the same safeguards on discrimination as we have talked about before.

VOUCHERS AND DISCRIMINATION PROTECTION

Senator WEICKER. That provision specifically would be no discrimination on the basis of race, period.

Secretary BELL. Gary, does the draft proposal parallel the tuition tax credit proposal?

Mr. BAUER. For the most part it does parallel it. The final draft of the bill is not yet completed. There are several open issues.

Senator WEICKER. So in other words, with a public school that is subject to provisions of Public Law 94–142 and section 504, would it be possible to avoid these requirements under vouchers?

Mr. BAUER. I would like to reiterate, the proposal is not in final bill form. I am not sure whether in the final analysis we will end up having a provision in it that deals with the handicapped problem. But the parents of a handicapped child who receive a voucher, I would think, would take into consideration whether a school provided adequate services for their handicapped child. If they felt that it didn't, that is where the choice comes in.

There is nothing that says they have to take the voucher to a private school. They could take it to another public school that they find offering a superior compensatory education program.

Senator WEICKER. I see as clear as day, Mr. Secretary, a divided society. I can see it right now. I can see handicapped, in whatever form—physically or mentally retarded—and I can see the matter of ethnic background.

I think I understand how this is all going to end up. I just don't see how we can lend ourselves to this type of a scheme. I really don't, unless—and even then I would oppose it on certain other policy grounds—but certainly on the basis of the Federal laws in place that would guarantee equality of opportunity to all Americans insofar as education is concerned.

I cannot see going ahead and dividing that up. I really would like to hear your opinion on that.

Secretary BELL. If we leave this proposal within the control of the school board and the school superintendent and if a parent is unhappy with the circumstances a child has in a chapter I school and says, "I think I have a better placement for my child, and I would like you to agree to this," I would presume that they would look this over carefully. They would decide whether or not they, too, felt that this would be better for the child.

If it were a handicapped child or a child of certain ethnic backgrounds, I think all of that would need to be determined.

Senator WEICKER. I am worried about what is going to be left behind. I think that is the problem.

Secretary BELL. You see, the situation——

Senator WEICKER. I can just see the flight taking place. Let me give you a good example. I think one of the great results of these laws has been to bring together all elements of our society and make it the better for that condition.

On the question of wanting to achieve some sort of a pleasant blend of color between black and white, I think we are all better for the fact that we know each other, that we are being educated with each other.

My retarded Downs child is in an experimental program over in Virginia at the Resurrection School, and they receive Federal funds because of this pilot program they have, where, in effect, about 80 percent of the class is "normal" and the other 20 percent has some form of disability. In my case he is a Downs child. There is a blind child in that class, et cetera.

There is no question about the fact that my child and the disabled children are constantly being subjected to a higher level of learning association, to his benefit.

But having said that, it is also to the benefit of the 80 percent that at ages 3, 4, and 5 they are learning the world right away rather than all of a sudden being confronted with something at a later age and not know how to deal or associate with it.

Secretary BELL. I understand that.

Senator WEICKER. What I am saying is to take everything we have put into place which has us finally all getting together—and by that I don't mean equalizing everything. I can understand the special emphasis we give to the gifted, to those that excel in certain areas. But under this program I think I know exactly what is going to happen.

It is those that are left behind, not those who are going to move out into other areas.

Secretary BELL. The problem is that if you are a low-income parent and you are unhappy with your neighborhood chapter I school, you don't have the opportunity that a wealthy parent has.

I can place my youngster over here because I have got the money. In order to give that choice, we felt the voucher—leaving the local school people in control—would provide some opportunity.

We now have that privilege plus our tuition tax credit program. We will have an opportunity for low income parents to exercise some of this choice that only the wealthy have had.

Senator WEICKER. You have made my whole argument. My job as a U.S. Senator is to see to it that this public system over here is brought to that level, where that child can have that opportunity in terms of personnel and curriculum and all of the rest of it.

Secretary BELL. I identify with that as someone who has spent his life in the public school business.

Senator WEICKER. I know you do.

Secretary BELL. If parents believe that that is a bad school, whether it is a bad school or not, if they are bad-mouthing the school, the child is not going to do well. In some instances the best thing for them is a change.

Senator WEICKER. The problem, as I see it, is that we go in cycles on these matters, and as you know, I would say after World War II and probably going up until, let's say, 1970, you just had to snap your fingers in the name of education to get anything you wanted.

As we have poured money into the public education system since 1970, it has been on a decline. I am not just talking about the Federal Government, but also States and localities.

I don't think this is the time to accelerate that downhill momentum insofar as attention being paid to public education is concerned.

Under your voucher proposal, would children in school districts under a court order for busing to achieve racial balance be able to transfer to other schools?

Secretary BELL. The local school district would still have to comply with that court order. They would have to be careful, as they have to now, to make sure that they don't permit students to shift around.

They could not point to the voucher and avoid that court order. They would have to comply with that, because that is one of the reasons that we wanted to leave the discretion there.

We talked about the voucher program. I, for one, was arguing about this local discretion because of that very problem.

CONSTITUTIONALITY OF VOUCHER PROPOSAL

Senator WEICKER. Has the Attorney General provided an opinion on the constitutionality of this proposal?

Secretary BELL. Not at this point. We do not have the bill completed in its final form. We have been looking at the draft language the Justice Department provided on the tuition tax credit bill, however.

ADULT AND VOCATIONAL EDUCATION

Senator WEICKER. The Department of Labor estimated that up to 75 percent of the unemployed in our country lack necessary basic skills in reading and communication.

Mr. Secretary, I believe you have also testified that as many as 72 million Americans are functionally illiterate or operate at a marginal level or below.

Knowing this is the case, how do you justify reductions of $324 million in adult and vocational education?

Secretary BELL. We would point to the 8 percent reserved for education under the new Job Partnership Training Act and the opportunity that our institutions have to compete. We assume that even if they had a 15- or 20-percent batting average that our overall budget, if we look at the Labor Department side of the budget for vocational and job-related training, would be as high as it is this year.

We are proposing a block grant for the vocational and adult program. There would be an opportunity for our institutions to maintain the adult training program at the current level.

I would agree with you that this is no time to recede in any way in how we can provide help to those functionally incompetent people who are going to be the hardcore unemployed because they just don't have the basic skills that they ought to have in this society and this age.

Senator WEICKER. I don't see anything that is going to take up this kind of slack.

Ms. CHRISTENSEN. Senator Weicker, if you add the amount under the Partnership Act, which is $150 million, if you add $100 million from our work study initiative which goes to vocational and technical schools, and if you add roughly $50 to $75 million which will be saved from the administrative simplification and flexibility provided to the States under our legislation, you come to $325 million, which we feel would offset that decrease.

Secretary BELL. We felt, Senator, that our total job-related budget was level funded if we count what is in the Labor Department and if we count the big increase we were proposing in work study.

If we don't get our work study proposal, then I would concede there would be a decline.

Senator WEICKER. We will take a further look at that.

One additional question, and then I will turn it over to Senator Proxmire.

LOCAL AND STATE CAPACITY FOR BILINGUAL EDUCATION

The Supreme Court has said that children are required to receive a free public education. It has been estimated that the country will experience a 40-percent increase in the non-English speaking population by the year 2000. One hundred thirty-eight million dollars was appropriated for the bilingual program for fiscal year 1983, out of which you are proposing a rescission of $43 million.

Is it realistic to assume that the States and school districts will be able to provide these services with their own revenues?

Secretary BELL. Sally is well-informed on the bilingual budget. I would like to ask her to respond to that if she would.

Ms. CHRISTENSEN. Mr. Chairman, in general, we feel that the capacity building that has occurred over the many years that this program has been in effect has demonstrated and helped the States build up their capabilities for servicing these children. In fact, many of the LEA grants have been going on for more than 10 years. We also believe that most of these demonstration and capacity building projects have been successful.

As you know, in our 1984 legislation we are proposing to focus not only on capacity building but also on projects for children who are truly needy. We think that this shift in program emphasis will more than meet the need.

I would also mention that under chapter I at least $200 million goes for children of limited English proficiency. Large amounts are coming from States, approaching $100 million. California alone spent $14,700,000 in 1981.

Senator WEICKER. We don't have the money in Connecticut. I can speak for my State; we do not have the money to handle the problem. It is increasing every day. The problem is increasing every day. We do not have the money to go ahead and do it, to do that job.

Ms. CHRISTENSEN. In our 1984 legislative proposal, we will be providing more comprehensive projects for up to 5 years, to go in and help a State or local education agency build the capacity to provide the services.

PARTICIPANTS IN BILINGUAL EDUCATION

Senator WEICKER. I want the record to be clear also because I think most people associate this program with Spanish-speaking Americans.

Secretary BELL. Not so.

Senator WEICKER. I want to make the point that the first people who came to see me from Connecticut came from New Britain, Conn. regarding Polish children. This is not, in other words, just a Hispanic program.

It is Hispanic, as it should be, but it also includes many diverse persons, many diverse tongues.

Secretary BELL. It also serves Vietnamese children. Impetus for the program was based on a Supreme Court case over Chinese children being ignored in San Francisco.

Ms. CHRISTENSEN. Another part of the 1984 legislative initiative is to strengthen the State departments of education in this area. We think there are many States which do not have capacity in bilingual education and do not have personnel in the area. We want to strengthen their efforts.

Senator WEICKER. Senator Proxmire?

EQUAL OPPORTUNITY FOR WOMEN AND MINORITIES

Senator PROXMIRE. In every administration, and this is certainly true of Democratic as well as Republican administrations, there has been a tendency not to give equal opportunities to women and minorities.

Do you have any particular goals in this area within your agency? Does your agency take pains to see that women and minorities are given reasonable consideration for promotions and so forth?

Secretary BELL. Yes; first of all, for the appointments we have made, I received an analysis of the breakout of various Presidential appointees on my level, SES appointees. In our own Department we have one of the better track records in employing women and minorities.

In addition to that, our Assistant Secretary for Civil Rights—a very fine young man, incidentally, Harry Singleton, a young lawyer with a good commitment in this area—is constantly receiving cases to follow up on and cases to settle that relate to a violation of title IX.

It has to do with equal opportunity. The Supreme Court found that title IX incidentally in the North Haven, Conn., case applies to employment. We are in the process now of implementing it.

NUMBER OF WOMEN AND MINORITIES IN DEPARTMENT

Senator PROXMIRE. Can you give the committee a breakdown for the record of the number of women and minorities that are employed at grade GS-12 and above, and also indicate the percentage of your total women and minorities work force employed at these levels?

Secretary BELL. Yes.

Senator PROXMIRE. I would like to know what percentage of GS-12 and above jobs are held by women and minorities?

Secretary BELL. I would be happy to do that.

[The information follows:]

WOMEN AND MINORITIES IN HIGHER GRADES

The total number of Department of Education employees as of September 30, 1982, was 5,294, of which 2,792, or 53 percent were in grades GS-12 and above.

The Department employed 2,967 women of which 990, or 33 percent, were in grades GS-12 and above. The number of women in these grade levels represented 35 percent of all employees in grades GS-12 and above. Of the 990 women in grades GS-12 and above, 339, or 34 percent, were minority women.

The total number of minority employees was 2,082, of which 716, or 34 percent, were in grades GS-12 and above. The number of minorities in these grade levels represented 26 percent of all employees in grades GS-12 and above.

PRODUCTIVITY MEASUREMENT SYSTEM

Senator PROXMIRE. Can you tell us whether you have a productivity measurement system within the Department, and if so, what percentage of your employees are covered by productivity measurement?

Secretary BELL. It is probably a deficiency that we ought to be paying attention to. What we do have are some annual performance goals I have developed the 2 years that I have been there and the objectives of the Department. Then I required the Assistant Secretaries to develop their plans on how they are going to help meet those objectives.

We also have our evaluation that is in the civil service program of our employees and their opportunities to respond.

I think, Sally, you could add to that a bit, as you know what is going on. We have had a recent appraisal of whether or not our employees are adequately balanced in the various sections in the Department.

Senator PROXMIRE. What I had in mind is the proportion of your employees for which you have a productivity measurement system. I realize some jobs are very hard to measure, but in some agencies they cover 50 percent, in others 70 percent of their employees under a productivity measurement system and they can tell what the productivity of those employed is. They relate agency output to the number of employees.

Secretary BELL. I think the closest we come to that is an appraisal that we just finished that was called our Human Resources Task Force. The Department of Education employment has declined 26 percent since we have been there. We have had a freeze on employment; we have had to do that to get our employment numbers down to the quotas that we have had to balance our S&E fund budget.

Better than one out of four of the employees that were there when we started is not there now. We came from over 7,000 down to the low 5,000's in total number of employees. In that process with the freeze, the attrition has not been even. We have just had a task force appraise where our job needs are and where there are job demands, and where we have not deployed our people accordingly. We are in the process now of reassigning the number of slots that each of our units can have.

That is as close to that as I think we have.

Senator PROXMIRE. I appreciate that. I understand, of course, there is some work which you just cannot measure yet, but there are many other jobs which you can measure, and other agencies do. And, of course, it is a helpful way to determine whether or not you are making progess from an efficiency standpoint.

Secretary BELL. Yes.

Ms. CHRISTENSEN. We have been moving in that direction more and more each year in our evaluation process. We have three separate evaluation processes set up; in fact, one for SES, one for middle managers, and one for clericals and lower grades, which, of course, are much easier to measure.

But even at the higher grades we are constantly making efforts to focus criteria by which evaluations are made against more objective criteria.

Secretary BELL. I do not think we can say, "Well, we do have a productivity measurement system the way we know that."

Senator PROXMIRE. A few years ago Elmer Statts, head of the GAO, made a big push in this area—I thought a successful push—and it resulted in giving us measurements of productivity at many levels.

I am very hopeful you will take a look at that issue and see if you can incorporate as much productivity measurement as possible into your operation.

It is one thing to talk about efficiency, and it may well be a remarkable record that you have achieved in reducing your employees while maintaining roughly the same output, but unless we have specific data we cannot tell. It may be that you're just not doing as much.

Secretary BELL. I agree with that.

ADVISORY COMMITTEES

Senator PROXMIRE. Now, the justifications make no mention of the Department's 17 advisory committees other than to note their inclusion under the program administration activity. Beginning in fiscal 1984, GAO has recommended, as I understand it, that five of these committees be terminated and two merged.

How much will be allocated in fiscal 1984 for these committees? Give us a general idea now and a committee-by-committee breakout for the record.

Secretary BELL. Do you have numbers on that, Sally?

Ms. CHRISTENSEN. We can provide it for the record. In fiscal year 1983 it was roughly $1,750,000. It would probably go down somewhat if we obviously terminate a few of those committees. We will give the exact number for the record.

Senator PROXMIRE. As I say, there are 17 advisory committees. The GAO recommended that you terminate five and merge two.

Have you terminated any committees as of today?

Ms. CHRISTENSEN. I will have to supply it for the record.

[The information follows:]

ADVISORY COMMITTEES

The following is a list of the 17 advisory councils, 16 of which we authorized in fiscal year 1984. We are requesting authorization for one additional council, Blacks in Postsecondary Education. The total funding for these advisory councils is $1,906,600 which excludes those councils which are unfunded or funding levels are unknown.

Blacks in Postsecondary Education ($83,900); National Advisory Council on Adult Education ($261,700); National Advisory Council on Women's Education Programs ($221,400); National Advisory Council on Continuing Education ($299,900); National Advisory Council on Vocational Education ($360,400); National Advisory Board on International Education ($90,400); National Advisory Committee on Accreditation and Institutional Eligibility ($85,100); Intergovernmental Advisory Council on Education ($156,400); Advisory Council on Dependents' Education ($60,000); Advisory Council on Educational Statistics ($10,000); National Board of the Fund for the Improvement of Postsecondary Education ($21,000); National Advisory Council on Bilingual Education ($76,400); National Advisory Council on Indian Education ($180,000); Federal Education Data Acquisition Council (funding level unknown—has not met in 2 years); and National Center for Research and Vocational Education Advisory Council (funding level unknown—council is new and has never met).

There are two councils that are authorized but unfunded: Advisory Council on Native Hawaiian Education and Asbestos Hazards School Safety Task Force.

BLOCK GRANT EVALUATION

Senator PROXMIRE. At any rate, you do plan to terminate any of these committees?

Ms. CHRISTENSEN. They are all under review right now.

Senator PROXMIRE. Including the two that were recommended for merger?

Ms. CHRISTENSEN. Yes.

Senator PROXMIRE. A GAO report indicates we may never know whether the new block grants enacted under the Omnibus Budget Reconciliation Act are successful because the Federal Government does not require any uniform data collection.

The new block grants are distinguishable from the old ones by their emphasis on placing responsibility for program evaluation at the State level.

How do you determine the national impact of these programs?

Secretary BELL. We have required a use report that is in the block grant statute with a report back to us where they have utilized these funds, and on what products, and on what outcomes.

I think at best that is as good as we're going to have on that unless we change our statutory authority.

Senator PROXMIRE. As you know, the new block grants are highly controversial. Many, many people have come into my office—and I am sure into the chairman's office—complaining about them.

I think we need to have some way of knowing, as we go along, the extent to which the programs are working. It is very hard for us to make an objective judgment.

Frankly, I have a resistance to block grants. I think that we ought to insist on responsibility for the money that we allocate to make sure that the job is done and done the way that we intend.

Absent that it seems to me that we ought to have a report.

Secretary BELL. Yes; we have scheduled an evaluation of the block grant. We have funds in our 1983 budget for that.

Mr. BAUER. We have done some preliminary work. We intend to look through a variety of case studies and so forth around the country and perhaps come up with some evaluation material that you might be interested in.

We have done preliminary work already that shows that the States at least are quite pleased with the greater flexibility that they have had, and things seem to be working fairly smoothly.

Secretary BELL. The biggest criticism we have heard of the block grant is the fact that the funds have been allocated to the States and we don't have the large sum that we had before to target money for school districts for desegregation.

It is the largest response we have had. We are trying to encourage State departments of education, as they have allocation authority, to be more responsive.

Senator PROXMIRE. Thank you very much. Thank you, Mr. Chairman. I might say incidentally that the superintendent of public instruction in Wisconsin is an old and dear friend of mine, Bert Grover. I was best man at his wedding. It was a very productive wedding. Bert and his wife have eight children now.

Secretary BELL. I was in Madison and I met Bert Grover. He may not have been totally comfortable; he was at a Republican rally at the time.

I agree that he is a splendid man, and a very fine school officer.

Senator PROXMIRE. I'm glad that you had a chance to meet him.

Secretary BELL. He is one of the outstanding chief school officers in the country.

RESCISSION OF GRANTS FOR DISADVANTAGED

Senator WEICKER. You are proposing to rescind $183 million. Among the programs affected are grants for disadvantaged, for which Congress provided $2,688,000,000 in fiscal year 1983. You are proposing a rescission of $125 million.

However, in 1984, you are proposing an increase to $2,730,000,000 and your justification attributes the increase to the success of these grants.

If you are committed to these programs, as your justification indicates, why are you proposing a rescission of $125 million this year and increase the program by $167 million next year?

Secretary BELL. We had a big debate over whether to use the 1970 or the 1980 census data for chapter I children, and the reason we had the debate and the States were broken out and the various numbers related to where there would be declines and where there would be increases.

In order to settle that issue after I ruled that we were going to use the 1970 census data for 1 year and then we would move to the 1980 data. Congress put up the funds to hold everyone harmless for that 1 transitional year.

We find in the appropriation those funds continuing. We wanted to eliminate that because we felt it was a transition year only. We thought maybe a mistake would be made if we would keep those funds in there for that purpose.

That accounts for the big difference on chapter I. Do you want to add to that, Sally?

Ms. CHRISTENSEN. I would just say that the revised 1983 level after the rescission would keep the same level as in 1982. There is no real decrease there; in fact, there is no decrease at all.

We did not go the full $148 million which was the supplemental. We are proposing a $125 million rescission to keep that 1982 level.

Secretary BELL. I don't think we can sit here and tell you that it will not be controversial. We are aware that they could use the funds. We wanted to move to where we were the previous year.

IMPACT AID

Senator **WEICKER**. Last year Congress appropriated $480 million for impact aid, and of this amount $58 million was appropriated for the so-called B children, including about $20 million for compensating school districts for the cost of educating the children of military families who work on Federal property. These payments are scheduled to cease at the end of fiscal 1983 under current law.

It is my understanding that in 21 States action has been initiated in State legislatures at the local level or in the courts to determine financial responsibility for educating these children.

Is it the administration's position that education for children of military families is solely a local concern?

Secretary **BELL**. We feel that our budget will fund adequately the "A" students, those who both live on and work on Federal property, which is the proper Federal responsibility.

A large part of funding for education now is coming out of State legislatures through sales tax and State income tax and other areas where we know people who don't work on Federal property contribute.

I do not think that we can allege that they pick up all of the slack, but I think that they pick up quite a bit of it. So our decision was to fund "A" students only.

Could you add to that, Sally?

Ms. **CHRISTENSEN**. I would just add one thing, Mr. Chairman. If you compare payments for military "A's" and "B's" in 1983 to total military entitlements, you will see that payments amount to 58 percent of entitlement. Payments for military "A's" would go up to 73 percent of entitlement in the 1984 proposal. Estimated payment amounts for military children increase from $229.2 million in 1983 to $247.3 million in 1984.

We feel that we are more than taking care of the military children.

Senator **WEICKER**. In essence, those that work on Federal property, they become a local concern at the end of the fiscal year; is that correct?

Secretary **BELL**. That is correct. That has been phasing down dramatically for a number of years now.

Ms. **CHRISTENSEN**. That's right. Congress in fact did phase them out by 1984 in the Reconciliation Act.

The impact aid funds for "B" children represent a very, very small percentage of the total budgets for many of those local educational agencies.

HANDICAPPED FUNDS IN CHAPTER I AND HANDICAPPED ACT

Senator **WEICKER**. Funds are provided for education of handicapped children under both chapter I and under education for the handicapped, Public Law 94-142.

Under the request chapter I funding would decline from $146,500,000 in fiscal year 1983 to $104,900,000, a decline of 28 percent.

For education of handicapped, the budget proposes to eliminate $28 million for discretionary programs in order to provide an increase of equal size for the State grants. Among the programs affected are the deaf-blind centers that are down 38 percent; early childhood education, down 30 percent; and special education personnel development, down 32 percent.

I am pleased to see the increase for State grants, but concerned by the chapter I reduction, and the cut in these discretionary programs. Overall, funds for handicapped education are down $45 million.

Would you like to explain the rationale?

Ms. CHRISTENSEN. Mr. Chairman, in both chapter I and Public Law 94–142 States serve children using Federal funds.

Some States serve a very high percentage of their children under chapter I; for instance, D.C. serves approximately 65 percent of its handicapped children using their chapter I money, whereas California, for instance, counts 1 percent of its children under chapter I.

They are serving basically the same population. They are providing the same services. The inequity existed where we are currently paying $600 per child in the chapter I program, whereas under Public Law 94–142 we are paying $240.

What we are proposing to do is to bring those payments more in line with each other. No children will go unserved because of this.

Public Law 94–142 mandates that all of these children be served

Senator WEICKER. When you are through with what you propose, what would the amounts be? How much for a chapter I child and how much for Public Law 94–142?

Ms. CHRISTENSEN. The share per child for chapter I would decrease to roughly $431 for 1984, from $600.

That is still almost double the share provided under Public Law 94–142.

Senator WEICKER. What happens to the Public Law 94–142?

Ms. CHRISTENSEN. The share increases from $200 to $245.

Senator WEICKER. From $200 to $245?

Ms. CHRISTENSEN. Right.

Ms. CHRISTENSEN. What we're trying to do is to provide for equity among the States under the two programs.

Obviously, the States and localities will have to pick up some of the slack.

Senator WEICKER. Why don't we go ahead and bring up the Public Law 94–142 child to the level of the chapter I child?

You know, we are not doing right by everybody. I'm not very admiring of that kind of fiscal handiwork.

Ms. CHRISTENSEN. We have a $28 million increase in the part B State grant program.

And in fact, if that request is enacted, it will be the highest level of funding in the history of the Education for All Handicapped Children Act.

Senator WEICKER. If I thought the States were capable of doing the job without the Federal Government, obviously I would be on the same bandwagon the administration has been on. I feel that is not the case in all of the 50 States.

I have other questions which I will submit for response to the record, Mr. Secretary.

HANDICAPPED REGULATIONS

Senator **Weicker**. While we are here, what is the status of the famous Public Law 94–142 regulations?

Secretary **Bell**. We are in the process of reviewing an enormous number of responses to our proposal. We want to stay in a holding pattern until our new Assistant Secretary for this area is on board.

As you know, Jean Tufts passed away recently.

We intend to come forward with changes for which we have consensus of support.

I think it will be several months yet before we complete this task.

I want to emphasize that there are some changes in the regulations that everyone agrees that we should make, even our most avid opponents of the proposal.

And many have said, "Why don't you just abandon the whole thing."

Our predecessors knew that some changes have to be made just to clear up some ambiguities. But we have made concessions on the prime issues the public has been concerned about and that you expressed concern with when we had the hearing, Mr. Chairman.

We could go forward with a proposed final rule now, but our Assistant Secretary would not have a chance to have an input on that. Also, we would not have had the opportunity to have responded to all of those comments and those hearings in the 10 regional offices.

By the time we publish a new rule and get your reaction to it, it may be the fall before we have a final regulation.

I want to assure you that we are not going to be moving in any arbitrary way. We want to have consensus on our proposal, or we will have another conflict.

Senator **Weicker**. I would hope when you do get your new Assistant Secretary aboard and he or she gets into this issue, before anything further happens, that we might have consultation between your office and the legislative branch.

Secretary **Bell**. We will be in close touch with you on that.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Weicker**. The balance of the questions that I referred to earlier will be inserted in the record at this point.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

REPORTING REQUIREMENTS

Question: It is my understanding that many State operated programs funded by the U.S. Department of Education have been directed to suspend reporting certain categories of data collection. For example, less information will be reported on rehabilitation services, adult education, and vocational education particularly as regards handicapped and other special needs populations.

How will you meet mandated fiscal requirements using aggregate data instead of specific data for these programs?

Answer: It is the policy of this Administration to reduce, wherever possible, the data-gathering and reporting burdens on the States. In vocational rehabilitation, the current data-gathering system is being reviewed through the forms clearance process. A new form, being developed for the caseload data system, will require substantially less time to complete while still satisfying statutory and management requirements.

In adult education, we have reduced data-gathering to those elements specifically required by law, basically a description of the extent to which the State's goals and objectives (as described in the three-year State plan) were met.

In vocational education, certain data elements were suspended from the annual Vocational Education Data System (VEDS) form, because they could be obtained on a multi-year basis. VEDS still collects data on participation of handicapped, disadvantaged and limited English proficient persons by State. What is no longer collected annually is the enrollment of each of these groups in each specific instructional program.

Question: What substitute data will be provided regarding these categories for future policy and funding decision[s] in the executive and congressional branches of government?

Answer: We believe that the existing level of data collection will suffice for policy-making needs. In all three of the programs mentioned, data collection is being maintained at the level required by law. Where additional needs arise, the Department will be able to conduct special surveys through the program offices and the National Center for Education Statistics.

ADULT ILLITERACY

Question: The Department of Labor recently estimated that up to 75 percent of the unemployed in this country lack necessary basic skills in reading and communication. Mr. Secretary, I believe you have also testified that as many as 72 million Americans are functionally illiterate or operate at a marginal level or below.

What do you see as the responsibility of the Federal government in addressing such problems?

Answer: The Department remains committed to addressing the adult illiteracy problem through the adult education program. We have made substantial progress in implementing the 1978 Adult Education Act amendments, by expanding the range of providers and instructional sites and by elicitng additional State, local, and private sector contributions. In addition, we will soon begin a new initiative to increase the number of persons who participate in adult education as volunteer tutors. This initiative will have no budget impact.

For the long term, adult education should be a State and local program. States will have the opportunity to take over complete responsibility for the program (along with the appropriate amount of funding) through the State Fiscal Assistance Block Grant Act. The Department would then exercise a national leadership role in the areas of research, development, and dissemination.

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Question: This Subcommittee has received numerous complaints about the National Council on Educational Research, the policy advisory body of the National Institute of Education in your Department. Among these recent complaints is the concern that its new Director (from New Hampshire's Moral Majority Affiliate organization), is shaping it into a right-wing think tank whose goal it is to defund "liberal" groups such as the National Education Association. Another complaint includes the Council's "new" role in monitoring every move of the NIE. Still another is that the Council is requesting an inordinate amount of the NIE's budget for its activities. In your opinion, has the National Council on Educational Research, through the adoption of its new set of resolutions, exceeded its authority?

Answer: I believe there was a misunderstanding concerning the Council's proper role, which is to review the conduct of the Institute and to establish general policy for the Institute.

Question: What steps can you take, Mr. Secretary, to ensure that the Council not exceed its authority and legislative intent as to its advisory role?

Answer: A number of steps have already been taken, Senator Hatfield, to assure that the Council and the new Director work together constructively and in accordance with legislative intent. Recently, the Director, Dr. Manuel J. Justiz, the Chairman of the Council, Dr. George Roche, and I met at some length to further define the relationship between the Council and the Institute. As a result of these meetings I believe that there will be a very productive and cooperative relationship that will encourage educational research and full staff cooperation in support of the activities of the Institute, under the leadership of the Director.

SCIENCE AND MATHEMATICS EDUCATION

Senator Chiles: You are proposing a $50 million initiative to improve math and science education and address the critical teacher shortage in these fields. How is a block grant to the States, averaging out to about $1 million per State, going to address such a critical problem as we are facing in math and science?

Secretary Bell: Our legislative proposal focuses on what I believe is the most critical element of the problem in math and science, which is the growing shortage of qualified science and math teachers at the secondary level, in grades 9 through 12. With the limited amount of money we have, this is the most useful approach.

Some of the proposals in this area which are now before the Congress would be very much more costly than ours. Yet, many of those same proposals fail to target sufficient funds on preparing qualified teachers. We need more such teachers, and we need them quickly.

OFFICE FOR CIVIL RIGHTS

Senator Proxmire: Mr. Secretary, why do you want to discontinue the Office for Civil Rights as a separate function of the Department?

Answer: There is no plan to discontinue the Office for Civil Rights as a separate function of the Department. What is proposed is to discontinue a separate appropriation account for the Office for Civil Rights and to budget for OCR as a line item under the consolidated Salaries and Expenses account. Reducing the number of accounts will simplify our budget presentation and thus avoid workload and the change will have no effect on the independence or functional identity of the Office for Civil Rights.

VOUCHER PROPOSAL

Question: In fiscal year 1984, you will be proposing legislation to establish a voucher system under which the parent of a disadvantaged child would be able to elect what school his or her child will attend, be it public or private. Can you elaborate on how this program will work?

Answer: The voucher proposal would increase educational opportunity for educationally deprived children by expanding the range of choices offered to them under Chapter 1, the largest program of Federal assistance to elementary and secondary education. We believe that the quality of education these children receive could improve if a broader array of educational providers could compete for their enrollment. This legislation would pave the way for such competition.

The bill would give a local education agency (LEA) the option of converting all or part of its Chapter 1 compensatory education program to a voucher program. In addition, a State education agency (SEA) would be permitted to require that all LEAs within the State implement the voucher option. Distribution of Chapter 1 funds to the local districts would continue under the existing program formula.

In a district that elects to implement the voucher option, parents of educationally deprived children selected for participation in the voucher program would receive a voucher equal to the amount of Chapter 1 funds received by the LEA divided by the number of educationally disadvantaged students in the district. The parents receiving a voucher could use it for enrolling a child in compensatory education programs operated within the school district, for payment of tuition at private schools, or for payment of tuition at public schools located outside the local district.

The bill would require that LEAs implementing the voucher option continue providing compensatory education programs for vouchers recipients who decide to remain in the schools of the LEA and for educationally deprived students not selected for participation in the voucher program. However, the bill would amend several Chapter 1 requirements, related to program design and program application, in order to allow the operation of voucher programs. In addition, the bill would amend the "supplement, not supplant" requirement so that it would not apply to the use of vouchers at private schools or at public schools located outside the student's local district.

Question: What percentage of school districts in the nation would be eligible to participate in this program?

Answer: All districts that receive Chapter 1 funds would be eligible to participate in this program if they desired. The proposal gives the LEA the option of converting all or part of its Chapter 1 compenstory education program to a voucher program. In addition a State education agency could require that all LEA within the State implement a voucher program.

Question: We forward fund most education programs in order to enable school districts to plan for the coming school year and apportion their resources. With regard to vouchers, what safeguards will be built into the system to avoid disruptions and uncertainty to the schools?

Answer: The voucher program is optional. Thus, State and local education agencies would consider such issues as the potential for disruptions within the school system and the need for planning before deciding to implement a voucher program.

Question: Would vouchers be able to pay tuition to church affiliated schools?

Answer: Yes, however the bill contains language prohibiting the use of a voucher at schools that discriminate on the basis of race, color, or national origin.

Question: Under your voucher proposal, would children in school districts under court order busing to achieve racial balance be able to transfer to other schools? Have you considered the impact of this proposal in such cases?

Answer: A school district undergoing court-ordered desegregation could implement the voucher program depending on the degree of flexibility permitted in their desegregation plan. We are not attempting to overturn court-ordered desegregation. In a district where the desegregation plan permits some amount of parent choice, a voucher program could conceivably be used.

Question: Has the Attorney General provided an opinion on the constitutionality of such a proposal?

Answer: The Department of Education sought no opinion from the Department of Justice as to the constitutionality of the voucher proposal. However, the Office of Management and Budget, in its legislative clearance process, solicited opionions from interested agencies, including Justice before the bill was transmitted to Congress. No legal issues serious enough to prevent the submission of the voucher proposal to Congress were raised.

Question: Between school vouchers and tuition tax credits, aren't you encouraging parents to opt out of the public school system, rather than improve the quality of public education?

Answer: No, the primary purpose of the voucher proposal is to increase educational opportunity for educationally deprived children by expanding the range of choices offered to them under Chapter 1. We believe that this proposal would lead to a significant improvement in educational opportunities for disadvantaged children by injecting some needed market incentives into the educational system that serves them.

1983 RESCISSION PROPOSAL

Question: For the Discretionary programs, you are proposing to rescind $300 milion from the 1983 appropriated levels.

Among the programs affected is the "Grants to Local Educational Agencies" for education of the disadvantaged, for which Congress provided $2,688 billion in FY 1983. You are proposing a rescission of $125 million. However, in 1984 you are proposing an increase to $2.73 billion. Your justification attributes the increase to the success of these grants. If you are committed to these programs as your justification indicates, why are you proposing a rescission of $125 million this year, only to increase the program by $162 million next year? Where is the consistency in your position?

Answer: The proposed 1983 rescission reflects the need to curtail Federal spending while enabling us to meet our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged. Under the revised 1983 budget, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by Congress to aid in the transition from using 1970 instead of 1980 census data as the basis for allocating funds. HEP and CAMP would be terminated under the 1983 rescission proposals.

For 1984 the $3 billion requested for Chapter 1 programs represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within the Chapter 1 request we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target population, we are seking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion. In order to increase funding for the LEA program we have proposed reductions in the Chapter 1 State agency programs and State administration and have requested no funding for HEP and CAMP.

Thus when comparing the 1982 amount, the 1983 revised level, and the 1984 proposed request for Chapter 1 LEA grants, the 1982 and 1983 amounts are the same and 1984 requested amount has increased.

IMPACT AID

Question: Last year Congress appropriated $480 million for Impact Aid. Of this amount, $58 million was appropriated for the so-called "b" children, including about $20 million for compensating school districts for the cost of educating the children of military families who work on Federal property. These payments are scheduled to cease at the end of fiscal year 1983 under current law. It is my understanding that in 21 States action has been initiated in State legislatures, at the local level, or in the courts to determine financial responsibility for educating these children.

What is the position of the Administration on proposals to charge military families tuition?

Answer: The Administration is opposed to any attempt to charge tuition for the dependents of military families. These proposed tuition charges result from decreases in the Impact Aid appropriations and changes in the payment formulas in recent years. They represent an effort to force revisions of the funding level and distribution of payments for the program. We believe that the appropriations ceilings established by the 1981 Reconciliation Act and our 1984 budget proposal more accurately reflect than previous limits and formulas the proper Federal role for this program.

Whatever the reason for proposing tuition charges, Impact Aid payments cannot be made to any jurisdiction which issues tuition notices, because the program statute specifies that a local educational agency must be providing a free public education to its federally-connected students in order to qualify for payment. In addition, the Department of Justice, at the request of the Department of Education and/or the Department of Defense, has and will file suit against any jurisdiction that issues such notices, requiring withdrawal of the notices and prohibiting the collection of tuition. In the suits previously brought by the Justice Department, the Federal Government challenged the legality of the tuition charges, raising the question of serious violations of constitutional law. In certain cases, LEAs also were charged with violating contracts they had made with the Department of Education when they accepted Impact Aid construction funds.

IMPACT AID PROPOSALS

Question: Why are you proposing legislation to transfer responsibility for the operation of section 10 to the Department of Defense?

Answer: Because section 10 funds are expended primarily for the repair of buildings on military installations, we are proposing to transfer the funding authorization and operating responsibility for activities under this section to the Department of Defense. Almost half of the buildings are affiliated with projects authorized by section 6 of P.L. 81-874. The Reconciliation Act of 1981 provided for the transfer of the funding authority for section 6 to the

Department of Defense effective in fiscal year 1982. The current transfer proposal thus complements the transfer that took place in 1982.

Question: I note that in several places in the justification you propose legislation requesting substantive changes in the law.

I take it that you are not asking us to do an "end run" around the authorizing committee?

Answer: The legislative changes requested are necessary for the implementation of our 1984 budget proposal. A number of the program statute provisions have not been implemented in recent years, and we have been asked by the Congress in previous years to submit legislative amendments at the time of the budget submission to override those provisions. It is our intention to submit a full-scale reauthorization package for the Impact Aid statutes in conjunction with the 1985 budget proposal. The changes requested for 1984 are not an attempt to avoid the reauthorization process.

PROCESS FOR REQUESTING LEGISLATIVE CHANGES

Question: The budget assumes $200 million in savings to be achieved upon enactment of legislation allowing lenders to charge graduate students a ten percent origination fee rather than the five percent fee currently allowed under law. I also note that you have included this legislative change in your requested appropriation language. This raises two issues:

First, is it Administration policy to request changes in substantive law through the appropriations process?

Secondly, have you submitted this legislation to the authorizing committee and do you anticipate congressional action prior to markup on the fiscal year 1984 appropriation?

Answer: It is not the Administration's policy to request changes in substantive law through the appropriations process. We recognize that any such changes come under the purview of the Authorizing Committee, and we therefore submitted to that Committee proposed legislation to implement these changes on March 17, 1983 (the "Student Assistance Improvement Amendments of 1983"). Similar language was included in the Justification to the Appropriations Committee as a means of providing to that Committee timely and comprehensive information in support of our appropriations level request. Should there be no final action on the part of the Authorizing Committee prior to mark-up of the Fiscal Year 1984 appropriations, the Appropriations Committee will nevertheless be aware of the legislative changes assumed by our appropriations request.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

1983 AND 1984 CHAPTER 1 BUDGET REQUEST

Senator Chiles: How do you justify the cuts proposed for Chapter 1 programs for the disadvantaged, in light of the increased focus on improved math and science education? Don't basic skills in reading and math go hand-in-hand with upgrading math and science education?

Answer: The proposed 1983 rescission reflects the need to curtail Federal spending while enabling us to meet our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged. Under the revised 1983 budget, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by Congress to aid in the transition from using 1970 instead of 1980 census data as the basis for allocating funds. HEP and CAMP would be terminated under the 1983 rescission proposals.

For 1984 the $3 billion requested for Chapter 1 programs represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within the total Chapter 1 request we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target population, we are seeking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion. In order to increase funding for the LEA program we have proposed reductions in the Chapter 1 State agency programs and State administration and have requested no funding for HEP and CAMP.

We do not believe that we are short changing compensatory education. Chapter 1 remains one of the highest priorities within the agency accounting for almost 23 percent of its total budget request for 1984.

Senator Chiles: I notice rescissions of over $125 million are proposed for Chapter 1 for 1983, coupled with an "increase of $167 million for fiscal year 1984. How do flucuations like this in the funding level affect school districts' and States' ability to provide stable and improved services to disadvantaged kids?

Answer: We do not see this as a problem. The 1983 rescission would not affect States or LEAs until the 1983-84 school year because Chapter 1 is forward funded and fiscal year 1983 funds do not become available until after July 1, 1983. If the rescission passes, LEAs will have ample time to begin planning how they will use their 1983 funds. Likewise, the 1984 appropriation will not be used until the 1984-85 school year. Both the States and LEAs would have enough time to make any adjustments resulting from the appropriations process to insure continuity in providing compensatory education services.

CHAPTER 1 VOUCHER PROPOSAL

Senator Chiles: Have you weighed the potential conflict of your Chapter 1 voucher proposal on school desegregation and continuity of education of disadvantaged kids? For instance, what if a local district opts for vouchers to send its disadvantaged students to another district, or to lump all the low-income students in one school? What if parents choose to frequently distrupt their children's education to shift from school to school in search of the best compensatory education program?

Answer: We do not see a potential conflict between our voucher proposal on one hand and school desegregation issues and continuity of education for disadvantaged children on the other. Once a local educational agency decides to adopt a voucher program, the parents, not the LEA, make the choice on how to use the voucher and where to send their children to school. Thus we do not see a problem developing where an LEA would sent its disadvantaged students to another district or lump all low-income students into one school.

Nor do we envision any problem with parents who may choose to distrupt frequently their children's education by shifting from school to school in search of the best compensatory education program. The voucher proposal makes no provision for the return of the voucher (or any part of the voucher) or the issuance of an additional voucher to a parent who uses the voucher to enroll his child in a school and subsequently withdraws that child from that institution. We believe this is appropriate because schools must hire faculty and arrange for facilities and equipment on the basis of anticipated enrollments for the year. Once the year is underway, the schools should not be expected to have funds available for return of voucher payments. In addition the bill does not require an LEA to provide Chapter 1 services to a voucher recipient residing within its district who drops our of a private school or a public school of another school district, and then returns to the school of the LEA. We think this is a matter better left to the discretion of the LEA.

CHAPTER 1 CAPACITY BUILDING EFFORTS

Senator Chiles: In your proposal for Chapter 1 for the disadvantaged, handicapped education, and vocational education, "increases" or maintenance of the Federal effort is directed to basic services, often at the expense of support services, program improvement and innovation, and the other programs designed to build the capacity of States to carry on these programs. Since Federal dollars are, and have been, inadequate in serving all the disadvantaged, the handicapped, and vocational training needs, wouldn't it make sense to maintain, and perhaps increase, the dollars directed toward building the capacity of the States to meet these priorities? And I don't mean that we should abandon the service needs of these kids in the process.

Answer: Chapter 1 programs are designed to supplement educational services provided by State and local educational agencies. In the 17 years of its existence the aim of the Chapter 1 program has always been to supplement and thereby increase State and local capacity to provide disadvantaged children with compensatory educational services.

In addition, the Department has requested $5.7 million for Chapter 1 evaluation and studies for fiscal year 1983 and 1984. Among the activities supported by this program are technical assistance to State and local educational agencies. Personnel at four technical assistance centers located across the country train local officials in collecting and reporting evaluation data and using evaluation results to improve both their capacity to provide compensatory education services and the quality of services provided.

VOCATIONAL AND ADULT EDUCATION

Senator Chiles: There are a number of areas in education where Congress and this Administration differ. But I don't think there is an area where the differences are greater than in vocational and adult education.

Last year Congress totally rejected your proposal to cut voc ed and adult ed to $500 million. In fact, we provided an increase. Now we see the same request again this year.

How do you justify a $323 million cut in vocational and adult education in the same year that we have unemployment at over 10 percent, when thousands of workers must be retrained for high technology industries, and when you yourself are proposing a new initiative to upgrade math and science education? How is this at all consistent policy?

Answer: Our budget request for vocational and adult education resulted from consideration of how to allot an overall budget of some $13.2 billion (a level which we think is fair) among competing objectives and priorities. Our highest priorities are programs for the disadvantaged and handicapped, student aid, and, as you mentioned, the math and science teacher training initiative. In order to fund these priorities at acceptable levels, something had to be cut.

A reduction in vocational and adult education is justified when you consider that these programs receive money from other sources. The new Job Training Partnership Act will provide about $150 million for educational programs and most of this will go to vocational education. The increase in College Work-Study funding will help many vocational education students with their education. A rough estimate of the amount of assistance vocational education would receive from this program is $86 million. Finally, an estimated $62 million in administrative costs will be saved through passage of the vocational and adult education consolidation proposal. Thus, much of the reduction in funding for vocational and adult education would be made up from other programs and from administrative savings.

We should also remind you that the vocational and adult education programs are forward funded. Fiscal year 1984 funds will not become available for obligation until July 1, 1984 and will mostly be used during school year 1984-1985. Thus the 1984 money will have no impact on the immediate unemployment problem. We are not proposing any rescission for 1983. By the time the 1984 funds are used, the economic recovery should be well underway.

Because there is a temporary shortage of science and math teachers, we have proposed a short-term teacher training initiative. We do not see that this is inconsistent with the budget proposed for vocational and adult education.

VOCATIONAL EDUCATION AND NEW FEDERALISM

Senator Chiles: The Administration has a strong policy of reducing Federal intervention and control in education. We have a strong and popular voc ed system in place, with the States overmatching the Federal dollar 12 or 13 to one. When you are proposing turning voc ed back to the States in New Federalism, aren't you advocating general aid to education, rather than aid that's targeted to specific national priorities?

Answer: Under the proposed State Fiscal Assistance Block Grant Act a State would have the option of remaining in the categorical assistance programs or of designating specific programs for "turnback" and then receiving its funding allotments under those programs as a block grant. A State that elects to enter the "New Federalism" would have to use a percentage (which would decline each year) of the funding for purposes as set forth in each antecedent program, with the remaining funds to be allocated, at State discretion, among any of the purposes of the antecedent programs. The State block grant could thus be used for such purposes as construction of municipal waste water treatment works, child abuse and runaway youth programs, and low-income energy assistance, as well as education. It is difficult to conceive of this as a proposal for general assistance to education.

Senator Chiles: Couldn't general aid to education lead to increased Federal control and intervention? What mechanisms are you going to put in your block grant to insure that doesn't happen?

Answer: The New Federalism program will strengthen the role of the States in the administration of public services and will decrease Federal intervention into areas that are more appropriately of State and local concern. States that elect to participate will have greater latitude over how funds are allocated among competing priorities and will not have to comply with the suffocating paperwork and administrative requirements associated with the current Federal programs. Nothing in the proposal would lead to increased Federal control over or intervention in education. (The reverse is more likely the case.) No special provisions to prevent such a development are necessary.

VOCATIONAL EDUCATION FUNDING

Senator Chiles: When we have a really strong and popular voc ed system in place, why are the cuts you are proposing in all the programs, such as Programs of National Significance, Program Support and Innovation, that are geared to keeping voc ed, and the Federal dollar in voc ed, targeted on national priorities, like high tech skill training, access for women and minorities, and program improvement? Shouldn't that be where we are putting more of our dollars?

Answer: What we are proposing is not a reduction in the existing categorical programs (such as Programs of National Significance or Program Improvement and Supportive Services), but passage of a new consolidation bill which will better direct vocational and adult education funds toward the priorities you mention. The proposal would require that States use at least 30 percent of their grant monies for programs and activities specifically related to economic development and skilled workforce training. This would include the "high tech" training and adult retraining with which you are concerned. The States would have to use another 30 percent for improving State and local systems of vocational education. This would include special services for the disadvantaged and handicapped, sex equity activities, and other program improvement projects. Finally, the National Programs would be expanded and enhanced to focus more on economic development and to address other areas of particular national concern. In all, the consolidation bill would ensure that Federal vocational education dollars really are used to address national priorities, albeit at a lower level of funding.

VOCATIONAL AND ADULT EDUCATION CONSOLIDATION

Senator Chiles: The vocational and adult education systems are very different. The programs serve different populations. Voc ed is geared toward occupational training and adult ed toward everything from basic skills to recreational purposes.

How are you going to achieve any administrative savings at the State level by lumping together two such different programs in a block grant?

Answer: We do not propose "lumping together" the two programs, but rather a consolidation which would capitalize on the natural linkages and combined strengths of vocational and adult education. Vocational education students frequently need basic skills training if they are to succeed in the labor market. Adult ed students can benefit if their programs include an applied or vocational component: this gives the students an incentive to succeed, to become literate or attain high school equivalency. Because of these natural linkages, vocational and adult education frequently collaborate, and in 15 States they are jointly administered. Our consolidation proposal would encourage more of this collaboration, while permitting vocational and adult education to exist in the States as discrete entities.

VOCATIONAL EDUCATION BUDGET

Senator Chiles: You've proposed a cut of $325 million in vocational and adult education. It's hard to understand this proposal in times when our greatest economic problems include low productivity, massive dislocations of workers from certain industries who need to be retrained, and critical shortages of workers with mid-level technical skills.

If we don't use the voc ed system that's in place and strongly supported by the States to address these training needs, how are we going to tackle these problems?

Answer: We believe that the vocational education system will respond to these problems, as will private industries, higher education, and the manpower training system supported under the Job Training Partnership Act. Our vocational and adult education consolidation proposal will enhance the role of vocational education in economic development by reducing paperwork and other administrative expenses, providing for more flexibility at the State and local levels, and requiring that funds be used for programs and projects specifically related to economic development.

COOPERATION WITH PRIVATE INDUSTRY

Senator Chiles: Rather than expecting private industry to pick up and duplicate the vocational education system we've got, shouldn't Federal support for voc ed and job training be used to lever private industry support and build linkages between industry and the training system?

Answer: We are not asking private industry to duplicate the vocational education system. Through our consolidation proposal, we are trying to build on progress that has already been made in linking vocational education to private industry training needs. For instance, private employers have worked extensively with our cooperative education students. Over 260,000 students participated in co-op ed last year, earning over $2 billion in wages while gaining on-the-job experience. Private employers have also cooperated with educators on the design of vocational programs and on instructor training; at times representatives of private companies have come into the classroom to serve as instructors.

Our consolidation bill emphasizes private sector cooperation. We expect that the States will be working with the private sector more and more on the design and implementation of programs. At the national level, we will be backing up these efforts through the activities of our task forces on private sector cooperation, entrepreneurship, and defense preparedness.

HIGH TECHNOLOGY AND ADULT RETRAINING

Senator Chiles: The Administration uses the "overmatch" by the States for voc ed as the rationale for cutting the program and turning it back to the States. How will the block grant you proposed for vocational and adult education serve as an incentive for voc ed to move toward high tech skills development, retraining of adult workers, and the other high priority national concerns? It seems to me we have an issue here of keeping the Federal government out of general education needs and focused on top national priorities above and beyond the capacity of the States. Your block grant proposals apparently move the Federal government into general education funding.

Answer: The vocational and adult education consolidation bill will focus Federal support on key areas of national concern. States would be required to use at least 30 percent of their grant funds on programs and activities related to economic development and skilled workforce training. This would include adult retraining as well as programs in new and emerging industries (such as the "high tech" fields). Another 30 percent of the grant would be tied to vocational education program improvement. This would include services for the special needs populations as well as the program development, research, and training activities needed to keep vocational education up to date.

Funding under the consolidation bill would be used to support two distinct activities, vocational education and adult education. We do not see the money as going for the general educational program.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until Wednesday, at 8:30, when we will continue hearings on the Department of Education. Thank you very much.

[Whereupon, at 10 a.m., Monday March 7, the subcommittee was recessed to reconvene at 8:30 a.m., Wednesday, March 9.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 9, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:34 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Proxmire, and Inouye.

DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

- JOHN STAEHLE, ACTING DIRECTOR, COMPENSATORY EDUCATION PROGRAM
- GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
- MONIKA EDWARDS HARRISON, DIRECTOR, POLICY PLANNING AND EXECUTIVE OPERATIONS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

INTRODUCTION OF ASSOCIATES

Senator WEICKER. The subcommittee will come to order. Let's start by having everybody introduce themselves.

Mr. DAVENPORT. Good morning, I'm Lawrence Davenport, Assistant Secretary for Elementary and Secondary Education, and to my right is Gary Bauer, Deputy Under Secretary for Planning, Budget and Evaluation, and to my left is John Staehle, Acting Director, Compensatory Education Program.

PREPARED STATEMENT

Senator WEICKER. Mr. Davenport, why don't you proceed with your testimony? Your statements will be included in the record in their entirety and then we'll go ahead and proceed in any way that you deem fit.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

I am pleased to appear before your Committee to discuss the 1983 rescission request and the 1984 budget request for Compensatory Education for the Disadvantaged. Both these requests reflect the need to control Federal spending while continuing to meet our responsibility in assisting State and local educational agencies to provide compensatory educational services for the disadvantaged. The activities supported within this account remain high priorities within the agency, comprising nearly 23 percent of our 1984 budget request.

1984 Request

The overall 1984 request of $3,013,969,000 for Compensatory Education for the Disadvantaged represents a $20 million decrease from the 1983 revised request and the 1982 appropriation. Because of the success of the Chapter 1 program in improving the academic achievement of disadvantaged children, we are requesting additional funds for Chapter 1 Grants to LEAs. Our budget also proposes to fund Chapter 1 State agency programs and State administration, but at reduced levels in order to focus additional resources on compensatory education services provided at the local level. Our 1984 budget proposal would maintain the existing funding level for Chapter 1 evaluation activities and provide no funds for HEP and CAMP.

Grants to Local Educational Agencies

Chapter 1 Basic Grants to Local Educational Agencies remains the primary vehicle for providing compensatory education services for the disadvantaged. Our request for this program totals $2,729,939,000, an increase of $167,186,000 over the 1983 revised level. Nearly 14,000 school districts, representing 90 percent of the districts in the United States, will receive Chapter 1 funds in the 1984-85 school year. These local educational agencies will provide compensatory educational services for an estimated 4.8 to 5.9 million children. This estimate assumes an average Federal contribution of $465 to $565 to the cost per child. The actual number of children receiving Chapter 1 services and the Federal contribution per child in any year, however, are determined by local school districts and vary from district to district.

We will intensify our efforts to identify exemplary, cost-effective approaches for providing compensatory education services and to disseminate information about them. Our aim is to help local school districts reduce program costs and thereby increase the number of children who can be served by Chapter 1.

State Agency Programs

For the State Agency Migrant program we are requesting $129,434,000, a decrease of $126,310,000 from 1983. At this level we expect to serve approximately 234,000 students. The proposed reduction reflects a reordering of priorities within Chapter 1 to shift funds toward the LEA grant program. In addition, we have submitted legislation and proposed regulatory changes that will help us achieve savings by focusing funds and services primarily on those students who are truly migratory and who have had their education interrupted as a result of their moving.

The $104,850,000 request for the State Agency Handicapped program represents a decrease of $41,670,000 from 1983. At the 1984 request level we expect to serve about the same number of children as in the previous year but at a reduced average Federal contribution. The services provided under this program are the same as those provided under Part B of the Education of the Handicapped Act (EHA) but are more expensive. In 1984 we plan to begin removing the funding inequities that exist between the Chapter 1 program and the regular handicapped program authorized by the EHA.

For the Neglected and Delinquent program we are requesting $21,886,000, a decrease of $10,730,000 from the 1983 amount. Our request here also reflects the need to accommodate proposed increases in the LEA grant program. These funds are meant to supplement existing services. The requested level will provide a higher level of support per participant than local districts have spent on their compensatory education programs. In addition, we estimate that in 1983 this program will account for approximately 20 percent of the funds available at the State level for educating neglected and delinquent children. Under the 1984 request our share would drop to 14 percent. The contribution provided by us under the proposed 1984 budget for neglected and delinquent children would exceed the Federal share of eight percent for funds going to public education nationally.

Other Programs

To provide for the various administrative requirements of Chapter 1, we are requesting $22,100,000 for State Administration, a decrease of $8,476,000 from the 1983 revised estimate. The Education Consolidation and Improvement Act of 1981 streamlined program operations and simplified the administrative requirements for Chapter 1. As a result, we have requested fewer funds for administrative purposes. Under the 1984 request, each State would receive an amount that is proportionate to its total Chapter 1 allocation but not less than $225,000.

For Evaluation and Studies of Chapter 1 programs we are requesting $5,760,000 to support regional technical assistance centers and to conduct studies on program effectiveness. The technical assistance centers will assist officials in State educational agencies and local school districts to collect, report, and interpret evaluation data and use evaluation results to improve their compensatory education programs. Chapter 1 studies will focus on gathering and analyzing evaluation data on program activities needed for the reauthorization of Chapter 1. In addition funds will support the Secretary's initiative to identify and disseminate information on high quality Chapter 1 projects.

Finally we are requesting no funds in 1984 for the High School Equivalency and the College Assistance Migrant programs. The services provided under these programs are expensive relative to the number of students served. Other activities such as the Special Programs for the Disadvantaged initiative in the Higher and Continuing Education account and the Vocational and Adult Education block grant proposal will offer similar opportunities in 1984 to students served by HEP and CAMP at a much lower cost per student.

Proposed Legislation

In order to implement the 1984 budget proposal I have just outlined and to ensure the smooth operation of the Chapter 1 program, we have proposed several legislative amendments to the authorizing statute that will accompany the 1984 budget request.

The first change would allow the agency to use the criteria for poverty associated with the 1980 census instead of the criteria used for the 1970 census. Such an amendment would provide us with a more consistent and accurate data base on which to make the formula allocation.

The second amendment would eliminate the requirement that we include obsolete 1975 Survey of Income and Education (SIE) data in making the Chapter 1 formula allocation.

The third change concerns the Chapter 1 Migrant Education program. It would reduce from five years to two the time a formerly migratory child can be considered migratory for purposes of being counted by the State in the allocation process or in receiving services under the program. The purpose of the proposed change is to allow us to focus funds and services more effectively on those children who are truly migratory. Those children who ceased to migrate will remain eligible to receive services under the enhanced Chapter 1 LEA program.

The fourth amendment would effect the funding authorization for migrant coordination activities by eliminating the minimum funding requirement of $6,000,000. This legislation would give us needed flexibility in choosing whether to place more emphasis on assisting States to provide direct services or on supporting coordination activities in the face of the reduced budget request for the Chapter 1 Migrant program.

Finally, we are in the process of developing legislation to give State and local educational agencies the option of providing Chapter 1 compensatory services through a voucher mechanism. Although the proposal is still in the conceptual stage, we hope to submit the legislation to Congress later this year. The proposal would not convert Chapter 1 in its entirety to a voucher program. Rather, it would provide an alternative for better administration and use of Chapter 1 funds that could be exercised entirely at State or local discretion while maintaining the existing formula allocation procedures. In those communities where present Chapter 1 programs work effectively, local school districts would continue operating them as they have in the past.

Proposed Rescission

We are requesting a rescission for 1983 totalling $133,925,000 for Compensatory Education for the Disadvantaged as part of the President's overall policy to curtail Federal spending. This proposal would reduce the current level for the account from $3,167,894,000 to $3,033,969,000. The rescission request includes $125,001,000 of the funds appropriated for Chapter 1 LEA grants, $2,438,000 earmarked for Chapter 1 State Administration, and $7,500,000 made available for the High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP). Of the amount remaining after the rescission, we are proposing to redistribute $1,014,000 to increase Chapter 1 Evaluation and Studies to its 1982 level. Thus, under the revised 1983 budget, funding for all Chapter 1 activities would match 1982 appropriation levels. HEP and CAMP would be terminated under this proposal because they are overly expensive for the number of students served and they duplicate services provided by other education programs at a much lower cost.

My colleagues and I will be happy to respond to any questions you have.

Biography of Lawrence F. Davenport

NAME : Lawrence F. Davenport

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT : Assistant Secretary for Elementary and Secondary Education

1981-1982 : Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981 : Provost, San Diego Community College District
1974-1979 : President, San Diego Community College Educational Cultural Complex
1972-1974 : Vice President for Development, Tuskegee Institute
1972-1972 : Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972 : Director of Special Projects, the University of Michigan-Flint
1968-1969 : Assistant Director of Student Activities, Lansing Community College

BUDGET REQUEST

Mr. DAVENPORT. Thank you, Mr. Chairman. Both the 1983 rescission request and the 1984 budget request for compensatory education for the disadvantaged reflect the need to control Federal spending while continuing to meet our responsibility in assisting States and local agencies to provide compensatory educational services for the disadvantaged.

The activities supported within this account remain high priorities within the agency, comprising nearly 23 percent of our 1984 budget request.

The overall 1984 request of $3,013,969,000 for compensatory education for the disadvantaged represents a $20 million increase from the 1983 revised request and the 1982 appropriation.

Because of the success of the chapter 1 program in improving the academic achievement of disadvantaged children, we are requesting additional funds for chapter 1 grants to LEA's. Our budget also proposes to fund chapter 1 State agency programs and State administration, but at reduced levels in order to focus additional resources on compensatory education services provided at the local level.

Our 1984 budget proposal would maintain the existing funding level for chapter 1 evaluation activities and provide no funds for HEP and CAMP.

GRANTS TO LOCAL EDUCATION AGENCIES

Chapter 1 basic grants to local educational agencies remains the primary vehicle for providing compensatory education services for the disadvantaged.

Our request for this program totals $2,729,939,000. This is $167,186,000 over the 1983 revised level. Local educational agencies will provide compensatory educational services for an estimated 4.8 to 5.9 million children.

STATE AGENCY PROGRAMS

For the State agency migrant program we are requesting $129,434,000, a decrease of $126,310,000 from 1983. At this level we expect to serve approximately 234,000 students.

The proposed reduction reflects a reordering of priorities within chapter 1 to shift funds toward the LEA grant program. In addition, we have submitted legislation and proposed regulatory changes that will help us achieve savings by focusing funds and services primarily on those students who are truly migratory and who have had their education interrupted as a result of their moving.

The $104,850,000 request for the State agency handicapped program represents a decrease of $41,670,000 from the 1983 level. At the 1984 request level we expect to serve about the same number of children as in previous years but at a reduced average Federal contribution.

The services provided under this program are the same as those provided under part B of the Education of the Handicapped Act but are more expensive.

In 1984 we plan to begin removing the funding inequities that exist between the chapter 1 progam and the regular handicapped program authorized by the EHA.

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The requested level will provide a higher level of support per participant than local districts have spent on their compensatory education programs.

STATE ADMINISTRATION

To provide for the various administrative requirements of chapter 1, we are requesting $22,100,000 for State administration, a decrease of $8,476,000 from the 1983 revised estimate.

The Education Consolidation and Improvement Act of 1981 streamlined program operations and simplified the administrative requirements. Under the 1984 request, each State would receive an amount that is proportionate to its total chapter 1 allocation but not less than $225,000.

OTHER PROGRAMS

For evaluation and studies of chapter 1 programs we are requesting $5,760,000 to support regional technical assistance centers and to conduct studies on program effectiveness. Funds out of this activity will also support the Secretary's initiative to identify and disseminate information on high quality chapter 1 projects.

Finally, we are requesting no funds in 1984 for the high school equivalency program and the college assistance migrant programs. The services provided under these programs are expensive relative to the number of students served. Other activities such as the special progams for the disadvantaged initiative in the higher and continuing education account and the vocational and adult education block grant proposal will offer similar opportunities in 1984 to students served by HEP and CAMP at a much lower cost per student.

1983 RESCISSION

We are requesting a rescission for 1983 totaling $133,925,000 for compensatory education for the disadvantaged as part of the President's overall policy to curtail Federal spending.

This proposal would reduce the current level for the account from $3,167,894,000 to $3,033,969.000. The rescission request includes $125,001,000 of the funds appropriated for chapter 1 LEA grants, $2,438,000 earmarked for chapter 1 State administration, and $7,500,000 made available for the high school equivalency program and the college assistance migrant program.

Of the amount remaining after the rescission, we are proposing to redistribute $1,014,000 to increase chapter 1 evaluation and studies to its 1982 level.

Thus, under the revised 1983 budget, funding for all chapter 1 activities would match the 1981 appropriation level. HEP and CAMP would be terminated under this proposal because they are overly expensive for the number of students served and they duplicate services provided by other education programs at a much lower cost.

Mr. DAVENPORT. Thank you, Mr. Chairman.

CHAPTER 1 EVALUATION RESULTS

Senator WEICKER. Thank you, Mr. Secretary. The Federal Government now has supported compensatory education programs for the disadvantaged for 17 years, formerly known as title I of the Elementary and Secondary Education Act, now called chapter 1 of the Education Consolidation and Improvement Act of 1981.

The program has provided supplementary math and reading programs to low-income students needing special educational attention.

A number of recent press reports have indicated that students with poor academic track records made major gains in reading in the 1970's with blacks making the most progress in reading, math, and science.

Studies ascribed the gains to federally funded programs but also point to a decline in achievement in these areas among the so-called high-achieving students.

Isn't this an indication that more, not less, Federal support is needed in all basic subject areas important to our educational growth such as reading, math, science, et cetera?

Mr. DAVENPORT. Mr. Chairman, I am pleased to agree with you and that's why our budget proposal includes additional money for the LEA program. We are requesting an increase of $167 million over their revised 1983 level of funding. We are trying to direct money to where the students are located, where the educational services are actually taking place.

I am pleased to see you agree with me.

Senator WEICKER. How do you know it's going to take place?

Mr. DAVENPORT. It's been a very successful program. Students have made measurable gains. We can do more by putting more money there, as we're proposing.

VOUCHER PROPOSAL

Senator WEICKER. About your voucher proposal to provide a monetary voucher to be used by parents of disadvantaged youngsters to send their children to the private or public school of their choice. When can the Congress expect to see the details of this proposal?

Mr. BAUER. That should happen sometime within the next 10 days.

Senator WEICKER. To what extent would the participation of a local school district in the voucher proposal be voluntary?

Mr. BAUER. The major emphasis behind the entire program is one of a voluntary approach—either an SEA or LEA would have the option to participate in the voucher program.

Senator WEICKER. Could a State require that all school districts in its State operate under this voucher system?

Mr. BAUER. We haven't worked out all the details but yes, we are inclined toward allowing the SEA to mandate a voucher system for all the LEA's.

Senator WEICKER. Could a school district opt out of the voucher program in that situation?

Mr. BAUER. Under the discussions we've had so far we're not inclined to give the LEA the right to opt out. Final provisions have not been settled yet, so that's still a matter of discussion.

SERVICES TO PRIVATE SCHOOL STUDENTS

Senator WEICKER. What existing Department of Education program serves students in private schools?

Mr. BAUER. What existing program?

Senator WEICKER. Yes.

Mr. STAEHLE. Chapter 1 provides comparable services to disadvantaged public and private school children who live in eligible public school attendance areas—that's one source of services for private school children.

Mr. BAUER. A number of our progams are aimed at students rather than institutions, so for example in higher education, to the extent that a student has access to grant or loan programs, he may attend private schools.

STATE AGENCY HANDICAPPED PROGRAM

Senator WEICKER. Your budget proposes to reduce the amount spent on handicapped children under the State agency handicapped program, from $603 per child currently to $431 per child in 1984. The ultimate goal is to bring this figure down to $245 per child.

Why do you believe this is an appropriate amount to spend on handicapped children when you're budgeting $531 per child under the State agency migrant program, $225 per child under the local education agency program, and $577 per child under the neglected program?

Mr. STAEHLE. Well, I think there is a great disparity between the amount available on a per capita basis to LEA's and to State agencies who have to operate schools for handicapped children. While we have to support those schools, it depends on which agency is directly responsible for the free public education of the children. So that the net effect of the policies that are implicit in the two pieces of legislation is that if a State agency or State government decides it's going to have children in the State schools, it will have to think twice before it decides to send those children—disestablish those schools and have the local school districts take them over or to leave services for handicapped children in the hands of State agencies rather than locals. Sometimes it's an accident of history as to which way the services are provided in any particular State.

So what I'm driving at is the two pieces of legislation should be consistent. Actually we're not coming down to $245 but whatever the number is for education for the handicapped under Public Law 94-142——

FEDERAL CONTRIBUTION PER CHILD

Senator WEICKER. $603 to $431 per child in 1984. That's a sizable drop. The $245 figure. We went over this, I believe, with the Secretary.

Ms. HARRISON. The $245 relates to the Education of All Handicapped Children Act. That's the Federal contribution per child.

Senator WEICKER. Well, that's a wordy answer, but I still don't understand how it is that we're getting down to that figure. I don't understand it.

I don't understand the relation to the third child figures that deal with the other programs.

Mr. DAVENPORT. Part of the problem, Mr. Chairman, is that we have let funding drive the program. For example, it is possible to have a situation where two handicapped children in the same classroom can receive a different amount of Federal funding for the same services.

For a child who is totally State-supported, for example, the institution would receive $603 while another handicapped student who is provided services under the Education for All Handicapped Act receives $245. We see no reason for this differentiation since those children are receiving basically the same services.

We believe then that we should be able to provide options for these institutions at the local level. An LEA that may want to offer a program like that in the community should be able to do so. The decision should not be dictated by varying levels of funding received for students with identical needs.

Mr. BAUER. Mr. Chairman, there's a geat deal of inequity between States depending on how many of their children they want to count under the chapter 1 handicapped program and under EHA.

Some States try and count as many as 13 percent of their handicapped children under chapter 1; other States as little as 1 percent.

With that kind of differentiation, you have a situation where certain States receive 2½ times more Federal funding per child than a State that does not opt to count that many children under the chapter 1 program.

We were attempting to correct what we saw as an inequity between the Federal contribution to the per-child cost of educating handicapped children in the various States. That was one of the reasons behind the budget request for this program.

CRITERIA FOR DETERMINING THE FEDERAL CONTRIBUTION

Senator WEICKER. What is the criteria that you used to determine your figures?

Mr. BAUER. To determine which children or which program?

Senator WEICKER. Yes.

Mr. BAUER. Our strategy was to begin bringing the Federal contribution per child under chapter 1 in line with that provided under EHA since both programs provide the same services.

Mr. STAEHLE. The attendance of children in the schools operated or supported by State agencies times the State's per pupil expenditure determines the amount of money available for State agencies. Under

Public Law 94-142 the allocation is based on the number of children identified as handicapped. Since there are fewer children counted under chapter 1 relative to the size of its budget than there are under EHA, the Federal contribution per child under chapter 1 is higher than that provided under EHA.

HANDICAPPED CHILDREN IN INSTITUTIONS

Senator WEICKER. Well, about 80 percent of the State agency handicapped children who are severely handicapped, are in institutions, they're not in public schools.

How do you——

Mr. STAEHLE. In both cases—the law—chapter 1 is very clear. The funds are supplementary, so the question is whether supplementary services are really more expensive at that level than in the local community—basic custodial services and service to the handicapped are provided by a particular State agency.

Mr. DAVENPORT. Can I stop you at this point, because here, again, we need to emphasize the intent of chapter 1.

To keep a student in a residency facility is expensive but that's not what chapter 1 is about. Chapter 1 provides supplemental services—services that students need above that, not the basic services the State is already providing.

Why should supplementary services be more expensive when provided at the State level than the same services provided to a student by an LEA? We want to make this point clear because people fail to distinguish between the basic services provided by the State and the supplementary services. Yes; it's more expensive to maintain a child in a State institution, but the supplementary services are not and should not be more expensive.

Chapter 1 is a supplemental program; it has nothing to do with the basic costs of the institution which will remain even if there weren't a chapter 1 program.

Senator WEICKER. I'm not so sure I understand that reason.

Obviously, it's going to be more expensive to deliver the services to that student. The institutionalization of the student doesn't have anything to do with it.

Mr. DAVENPORT. The things that the institution provides through its regular program, let's say it provides English, math, vocational education or whatever they normally do. That's paid out of the regular funding of it.

So we have that as a supplemental services that the institution then must provide. The costs—if you're in New Haven and you're offering a New Haven reading and math and you're paying for vital services and your teachers are earning $12,000 or $13,000—I don't know what the salary is—then if you go 15 miles and there's a resident institution, the cost for that State is basically the same for providing that instruction.

STATE AGENCY PROGRAMS

Senator WEICKER. The bottom line of all this, as I see the request, is that we're down—your requests are down $178 million in the migrants, down $126 million for the handicapped, and $10 million for neglected and delinquent.

Ms. HARRISON. The total included migrants and neglected.

Mr. DAVENPORT. I think you've added them together. In the handicapped program we're proposing a $41.6 million reduction.

Senator WEICKER. Handicapped is $41.6 million; that's correct.

Mr. DAVENPORT. Yes, sir.

Senator WEICKER. I beg your pardon, the migrants are $126 milion.

Mr. DAVENPORT. Yes, sir.

Senator WEICKER. Neglected and delinquent is down $10 million.

Mr. DAVENPORT. Yes, sir.

Senator WEICKER. And it's your reasoning that all that $178 million reduction is going to be taken up by the increase in the grants of the LEA's of $167 million?

Mr. DAVENPORT. Pretty close, yes, sir.

SERVICES PROVIDED BY THE LEA

Senator WEICKER. And you're certain that these services are going to be delivered to these various categories by the LEA's?

Mr. DAVENPORT. Looking at what the LEA's have done we are confident that the services will continue.

Senator WEICKER. Is there any legal requirement that that's what they do?

Mr. BAUER. They're under legal requirement to serve their handicapped children under the Education of the Handicapped Act regardless of what kind of funding level we provide in the chapter 1 program.

Mr. DAVENPORT. Your concerns in this area are certainly understood, and I think you made the point well. I believe it may help to look at the handicapped program in some context.

If we look at the $41 million decrease in this one program in the context of our overall budget—about 16 percent of the funds the Department is requesting will go to handicapped children.

Senator WEICKER. Well, my concern relates to that portion of the statement that says, "Both these requests reflect the need to control Federal spending while continuing to meet our responsibility," listing State and local agencies, et cetera.

And my feeling is very simple, and that is, that there are two different animals here controlling the Federal budget, in the matter of education for all of our children, regardless of their physical and mental status.

I'll tell you, I'm just not much of a mind to balance the budget on these people. That's my concern. After all the talk is done, that is my concern.

These programs have been unqualifiedly successful, they're Federal programs that have been successful. They've brought education where education never existed before, an opportunity that never existed before.

Maybe there are some things that need screwing around with and fixing up, but I don't see that this is one of those instances, and I have absolutely no guarantee that the progress made today is going to be continued at the local level.

In any event, these are matters to be resolved during the allocation of these moneys. You've made your point clear.

But gentlemen, I don't think you're going to get away with education cheaply for this category of students.

MONITORING AND EVALUATING CHAPTER 1 FUNDS

Senator INOUYE. Mr. Chairman?

Senator WEICKER. Senator Inouye.

Senator INOUYE. Mr. Chairman, before proceeding I'd like to thank Dr. Davenport for the assistance he has provided the schools in the Hawaiian education study.

Following up on your question, Mr. Chairman. I believe your last question expressed a concern whether these funds will be used for the proper purposes.

How do you monitor and evaluate these funds?

Mr. STAEHLE. These are all State-administered programs and the State agency does receive funds for the administration of the program provided for in the budget. It is part of the SEA's responsibility to make sure that participating agencies made the proper application, and insure that they comply with Federal statutes and regulations.

Our office monitors what the States are doing and how they administer the program.

Mr. DAVENPORT. We publish regulations and we publish nonregulatory guidelines. Through our Inspector General's office we have compiled a compliance standard guide that provides additional information.

Through our technical assistance and monitoring we assist the States in carrying out their objectives, and we also occasionally ask them to provide us with additional information on how their programs are operating.

MISUSE OF CHAPTER 1 FUNDS

Senator INOUYE. What if the State agency provides funds—your funds—to an LEA and that LEA is not carrying out their responsibilities according to the application.

What can you do?

Mr. DAVENPORT. We require the State to pay back those funds.

Senator INOUYE. Can you require the State to do that?

Mr. DAVENPORT. Yes, sir.

Senator INOUYE. Have you done that?

Mr. DAVENPORT. Yes, sir.

Mr. STAEHLE. Under chapter 1 the same general provisions are continuing——

Mr. DAVENPORT. Whether it is the State or the LEA who fails to comply, the State educational agency is responsible.

Mr. STAEHLE. The Inspector General performs the audit reviews of the various programs and reports their findings.

QUALITY OF LEA EFFORTS IN CHAPTER 1

Senator INOUYE. And it's your feeling that the LEA can do just as good a job as you've been doing?

Mr. DAVENPORT. LEA's have been doing the job. I think this has been one of the most misunderstood aspects of the program. The LEA's have been delivering the services to the students, because that's where students are enrolled, in the LEA's. They have been doing the job; we expect them to continue providing services. We are proposing an additional $167 million for LEA grants so that they can serve more children and enable these children to make academic gains.

MIGRANT EDUCATION

Senator INOUYE. One other question. On the reduction for the migrant program, does this reflect statistics? That we had a reduction in migrants?

Mr. BAUER. Reflect statistics, sir?

Senator INOUYE. Do we have less migrants today than we had, say, 5 years ago? Migrant students.

Mr. BAUER. The change reflects our efforts to focus migrant education funds on those students who are truly migratory. To accomplish this we have proposed changes in both our legislation and regulations.

Senator INOUYE. What is your definition, sir?

Mr. BAUER. Well, under the present regulations, a student's education does not have to be interrupted in order for that student to qualify as a currently migratory child.

The change we would make is that a student's education would have to be interrupted in order to be considered currently migratory.

Another provision deals with so-called formerly migrant students. Under the existing statute a student may remain in one place for 5 years and still participate in the program.

Our proposed change in the law would limit this time period from 5 to 2 years. We want to attempt through these changes to focus funds on those students who most need them. As a result we would not fund migrant education services for those students who remain in one place for over 2 years.

Senator INOUYE. So if they're in one location for 1 year, they lose their migrant status.

Mr. BAUER. They would just not be considered under that part of the program as "currently migratory." They can still qualify for migrant education services as formerly migratory students for an additional 2 years.

Senator INOUYE. What's the difference in money?

Mr. DAVENPORT. There's no difference in money; those migrant students who would drop out because of the change in the definition of "currently migratory" would remain eligible to receive services for 2 years as formerly migrant students.

Then after 2 years when they're no longer eligible for migrant education services as a formerly migrant student, they would remain eligible for services under the chapter 1 LEA grant program.

Senator INOUYE. How many students would you eliminate by your definition?

Mr. BAUER. I think we go from 468,000 students being served in 1983 to 234,000 that would be served under our proposal.

Senator INOUYE. Thank you, Mr. Chairman.

Senator WEICKER. Senator Proxmire?

STATE AGENCY HANDICAPPED PROGRAM

Senator PROXMIRE. Mr. Chairman, I want to follow up on the kind of questions that the chairman and Senator Inouye asked, but I'd like to put them in the perspective of the amount spent per child.

You're proposing to reduce the amount you spend on handicapped children under the State agency handicapped program from $603 per child currently to $431 per child in 1984. Your ultimate goal is to bring that figure down to $245 per child.

Why do you believe this is an appropriate amount to spend on handicapped children when you are budgeting $531 per child under the State agency migrant program, $525 per child under the basic grant program, and $577 per child under the neglected and delinquent program?

Mr. DAVENPORT. I want to start with the last part of your question, Senator. We are trying to correct the funding inequities in the program.

I don't think we have said that. Our goal is to bring the Federal contribution per child under chapter 1 in line with the $245 per Federal contribution per student under EHA.

Back to your second part of your question.

Senator PROXMIRE. Well as I indicated in the first part of my question, you recommend a reduction of about $170 per child in 1984 under the State agency handicapped program.

Mr. DAVENPORT. Yes, sir.

Senator PROXMIRE. All right, go ahead.

Mr. DAVENPORT. As I said a little earlier in answer to the chairman's question, when you're talking about the handicapped student program, we have to distinguish between basic and supplemental services.

Again, the chapter 1 program provides supplemental services. The basic costs that the institution incurs are not part of the services we are addressing here, only the additional, supplemental services which are provided.

At the present time children located at a State institution and being served generate on average $603 each for supplemental services.

Children receiving these same services from an LEA under the Education for the Handicapped Act generate $245 each.

Our proposal begins to correct the disparity in the Federal contribution per child between chapter 1 and EHA for what are basically the same services.

There is no rationale for the disparity in the Federal contribution per child. The cost again is a supplemental service, not the basic cost.

So all you're talking about is supplemental costs. And so the disparity becomes—no legitimate reason for that disparity to occur.

JUSTIFICATION FOR CHAPTER 1 HANDICAPPED PROGRAM

Senator PROXMIRE. Well, there is a disparity. I refer back to my $245 figure. On page 20 of your justifications under "State agency handicapped program," the last sentence reads:

> The strategy in 1984 is to begin bringing the Federal per child contribution under this program in line with that provided under the Education for the Handicapped Act—estimated at $245 per child in 1984. The administration expects to phase this reduction in over a 2-year period.

Are the justifications wrong, or did I misinterpret them? I refer to page 20.

Mr. DAVENPORT. Yes, sir, I'm looking at it. I was saying before that we propose to remove this disparity per child in the Federal contribution per child.

This is the intent. Our strategy is to begin to reduce the disparity in 1984. There may always be some minor differences between the per child contributions of these programs.

I think if you listed some of the other program costs per student, they're just slightly different too. There's one I think you mentioned earlier, Senator, was $560 some. Another one was $525 and you mentioned——

So we're trying to get it closer together.

Senator PROXMIRE. Well, the disparity I see is that the handicapped get less, whether it's $431 per child or whether it's $245 per child—and the $245 figure, as I say, comes right out of your text—than the $531 per child under the State agency migrant program, the $525 per child under the basic grant program, or the $577 per child under the neglected and delinquent program.

Isn't there a disparity there?

Mr. DAVENPORT. There's a difference there, sir.

Senator PROXMIRE. A big difference.

Mr. DAVENPORT. Yes, sir. They are receiving $603, which is the highest of all of them.

Senator PROXMIRE. I recognize that. I could understand it if you planned to go down to $531 per child. Whether it would be approved or not, I would understand this consistent with your argument that you ought to reduce the disparity.

Can you tell us what objective criteria you used in determining——

Mr. DAVENPORT. Again, the rationale for the $245 is that that is the cost of providing those supplemental services. Underneath the $603, you'll see in supplemental services you're now paying $603 for the State agency. So what you've done then is you have frozen out the LEA's from trying to participate in this because the money for the student now goes to the State administration of $603.

But if you were a local superintendent, would you look at this kind of program? No; if you were a State, what would you do?

Mr. **Bauer**. Let me point out that all these figures are estimates, the final decision on how much is spent per child is made at the local level, and they may decide to serve a smaller number of children or may decide to spend more of their own funds.

Senator **Proxmire**. I don't want to detain you or the chairman or Senator Inouye on this, but for the record would you give me the best reconciliation of what seems to be a discrepancy in the allocations per child among the various programs?

Mr. **Davenport**. Yes, sir.

[The information follows:]

ESTIMATED FEDERAL CONTRIBUTION PER CHILD FOR STATE AGENCY PROGRAMS

	1983 estimate	1984 estimate
Migrant education	$531	$531
Handicapped	603	431
Neglected and delinquent	694	577

These figures represent an estimate of the average Federal contribution to the cost of providing supplementary educational services. The States cover the largest portion of the per student cost of providing education services. Estimates of the average Federal contribution are based on past experience and the amount of budgetary resources available for the program.

CRITERIA USED TO DETERMINE PER CHILD EXPENDITURES

Senator **Proxmire**. Now can you tell us what objective criteria you used to determine how much should be spent per child under the basic, handicapped, migrant, and neglected and delinquent programs? What objective criteria do you use to determine how much you spend per child for each of those programs?

Mr. **Davenport**. Well, what we're doing I think, as Gary mentioned earlier, is an estimate that we're looking at the—on a local LEA program where we ask for $167 million additional.

We then divided that figure by the number that we're estimating that would be served and that told us how many—gave us then our approximate $525 per student that we're estimating that would be spent per student.

And as we asked for various totals, then we estimated how many students we felt would be served, and we divided that and that gave us our figures.

Senator **Proxmire**. Well then you don't make an objective judgment based on objective criteria of the amount that you need in each of these cases, you just take the figure and you divide it by the number of——

Mr. **Davenport**. I'm sorry; maybe I'm not explaining this correctly. In our decision to set budget priorities, we looked at the success of the chapter 1 LEA program and decided that's where we want to put more dollars. So we requested an additional $167 million. Based on past experience we assumed an average Federal contribution of $525 to the per child cost and divided that into the budget request to arrive at an estimate of the number served.

But in terms of objective criteria, we looked at the success of the LEA grant program, the children served, and the academic gains made by these children. Because of its success, we decided to put more money there.

So we have requested a $167.2 million increase over our revised 1983 level giving us a total of $2.7 billion for the LEA program. We divided the total by our estimate of the average Federal contribution per child, to determine how many students we're going to serve. We also looked at the migrant program and at the high cost of the HEP and CAMP program. In terms of our priorities, we found that, in light of other programs offering similar services, these are expensive programs and that other programs available under adult vocational education and under the Higher Education Act could provide these services to the population served by HEP and CAMP at a much lower cost. This allowed us then to redirect our priorities in other areas.

Senator PROXMIRE. But you didn't consider the amounts that should be allocated to achieve a certain level of quality.

What you did instead was to consider the success of a program and say, "This has worked well, so we'll provide a little more here"——

Mr. DAVENPORT. If the local school district is having success, as the chairman has stated in reading and math with their chapter 1 programs, and if you want to increase that success and provide services to more students, you provide more money.

We're asking for more money for a program that's working well. We have requested an additional $167 million for the LEA program. I think we are recognizing that the program works.

The fact that it works is a quality measurement.

Mr. BAUER. Senator, I'd like to reiterate that the decision is made at the local level on how many children to serve, and thus the Federal contribution in the basic grant program is not determined by us but is determined by those decisions being made at the LEA level all over the country.

We do disseminate examples of low-cost programs that are effective in the hopes that the States and the LEA's will avail themselves of those low-cost programs and thus be able to serve more children than they currently serve under the funds that we're providing them.

But we don't determine here how many children will be served nor how much the Federal contribution per child will be.

NEGLECTED AND DELINQUENT PROGRAM

Senator PROXMIRE. Now you're proposing a cut of about one-third in your State agency neglected and delinquent program.

On page 21 of your justifications you indicate this would decrease your share of total costs from 20 to 14 percent.

Why did you decide that 14 percent was the right Federal contribution in 1984 instead of 28 percent or some other figure?

Mr. STAEHLE. The 14-percent figure is considerably in excess of the average Federal contribution of roughly 8 percent for elementary and secondary education nationally.

We're talking about State agencies for neglected and delinquent children. It so happens that under chapter 1 children in local institutions for neglected and delinquent children are counted for payment and generate funds for the LEA grant program.

Children in State institutions that provide for delinquent children generate funds for particular State agencies.

Again, there is a decided disparity between the amounts generated by a neglected or delinquent child in a State institution and one neglected at the local level.

FEDERAL CONTRIBUTION TO ELEMENTARY AND SECONDARY EDUCATION

Senator PROXMIRE. May I just interrupt you to ask you——

Mr. STAEHLE. Yes.

Senator PROXMIRE. You are talking about higher percents. As I understand it the Federal Government only provides about 8 percent of the national cost of elementary education, but isn't the whole point of the particular program that the neglected and delinquent require special consideration and special assistance? Probably in most cases it's a situation where the property tax level is low and it's hard for the local community to raise the money. Therefore, the Federal contribution ought to be substantially higher.

Mr. STAEHLE. Naturally, the main source of revenue for the State agencies is the State legislature. There is no property tax per se for the money received.

In order to be eligible, the State agency must have direct responsibility for the education of kids, and those children have to be educated by the States.

FEDERAL CONTRIBUTION TO THE NEGLECTED AND DELINQUENT PROGRAM

Senator PROXMIRE. Well, my problem here—I didn't make it very clear—is that I just wonder how you settled on 14 percent as the Federal share and not a lower or higher figure. How did you determine that that level was right?

Mr. STAEHLE. I'm not sure that we've established the definitive level, but it is closer—it comes closer to 14 percent. In other words, we believe that it's a more reasonable percentage.

The law clearly requires that the funds be supplemental. In other words a State agency is taking care of these youngsters, is taking care of all of its custodial costs which are not educational costs. The State has to provide a basic educational program or the students cannot generate funds.

And the students who are covered for payment may be served with these funds, but the law clearly says they should be supplemental.

There is no overriding reason why supplemental services provided by a State agency let's say in the school which is within the confines of a correctional institution should be more expensive than at the local level.

Mr. DAVENPORT. I think this is a concept, Senator, that we've been discussing throughout our testimony this morning. Again, we have been providing through the Federal Government to the local education agencies less funding to provide the same supplemental services that are provided by State institutions at a considerably higher per child contribution. We propose to begin reducing this disparity.

I have trouble understanding why it should be more expensive for supplemental services to be provided by a State institution than by an LEA.

Senator WEICKER. Well, because it is. The institution is more expensive than services delivered outside.

Mr. DAVENPORT. No, sir, not for supplemental services.

Senator WEICKER. Well, Mr. Davenport, let me tell you. I've been all through this and I was one that felt that no institutional care was expensive or, rather, more expensive than the local. Not so; not so. I don't agree at all, and I don't think the facts support that either.

Mr. DAVENPORT. Senator, here, again, we have the question of whether it is more expensive to have a student in an institution——

Senator WEICKER. Yes?

Mr. DAVENPORT [continuing]. Is it more expensive for the student to get supplemental services. It should be "No," because if they're providing reading and math at a local level, it costs you $1,000. If the teacher is your expense, what does the teacher cost? The instructional supplemental services should not cost you more in a State institution.

That's all we are saying, not that it doesn't cost more for food, clothing, heat, or other services provided by insitutions, but for the supplemental services which the chapter 1 program is supposed to provide. The answer should be, "No."

Senator WEICKER. I think what this boils down to, as Senator Proxmire indicated, I think he was talking about the Federal contribution being somewhere around a figure of—what?—8 percent?

Senator PROXMIRE. Nationally.

Senator WEICKER. Nationally.

Mr. DAVENPORT. And in this program we're proposing to reduce the Federal contribution from 20 to 14 percent of the cost.

Senator WEICKER. Well, what I'm saying is that there is good reason. That 8 percent is small compared to the total. The reason why it's there is that the local communities didn't provide those services. That is, you had to generalize as to the general contribution to education, it contributes where the local and the State entities do not contribute because there is no constituency to drive the local and the State entities to contribute.

Now that is the history, and if you talk to me about the fact of the situation determining your budgetary priorities, I'll tell you the fact of the situation is that in terms of the ones that we're talking about, these various categories we're talking about, history clearly points out that the contribution will not be made at the local level.

If you feel the millennium has come and that everything is going to change overnight, let's just see. I happen to know that those with the votes get the money. And the ones that we're talking about don't have the votes.

ESTABLISHING BUDGET PRIORITIES

Mr. BAUER. Mr. Chairman, at least in the handicapped area the States are now required by the law to provide those services to all handicapped children. But in the overall context of this discussion, we had a certain amount of money to work with, and we had to make, obviously, some tough decisions.

Senator WEICKER. Now this is exactly the point that I raised with the Secretary.

Mr. BAUER. I understand that.

Senator WEICKER. You were given a figure by OMB with which to construct your budget.

Mr. BAUER. Now we worked——

Senator WEICKER. And then you set your priorities. OK. Fair enough.

Mr. BAUER. We have to make choices.

Senator WEICKER. I'm not saying I agree with that system. It seems to me the whole budget process is backward.

Mr. BAUER. That doesn't quite accurately describe what happened. We went back and forth with OMB, using a variety of figures. They didn't dictate a figure to us.

But after that process was over, we obviously had a certain amount of money with which to work. Within that amount, the Department made decisions, and we assigned budget priorities.

Senator WEICKER. This was all described by the Secretary. And I admire you for going ahead and getting additional moneys to that which OMB initially thought was your measure of the budget.

But the fact still remains that that figure, that final figure, was the one given to you by OMB. Then you started to work it out. And that's a hell of a system as far as people out there are concerned.

Anyhow, we're covering the same ground I covered with the Secretary, and I don't mean to go over this again.

Senator PROXMIRE. Mr. Chairman, I have to leave. May I submit some questions for the record?

Senator WEICKER. You sure can.

Senator PROXMIRE. Thank you.

HANDICAPPED ASSISTANCE

Senator INOUYE. Mr. Chairman, I wish to follow up on your question.

If my recollection of history is correct, up through the 1950's, money spent for handicapped children was in the lowest priority category in all the State budgets. In fact, the amount spent for handicapped children was virtually nil in every State and every territory, including Hawaii.

Then people started getting concerned, and we began seeing articles, and the media picked it up, and in the 1960's there was some agitation. In the mid-1960's, the Federal Government got into the act.

And in the 1970's, it began to blossom. For the first time these forgotten people were given a fair shake.

Now we are relying almost solely upon the States to carry on these activities. I gather that these funds are matching grants, aren't they?

Mr. BAUER. No, sir.

Senator INOUYE. Flat out?

Mr. BAUER. Flat out by the student.

Senator INOUYE. Who will determine the number of students?

Mr. BAUER. The State reports in the number of handicapped students served in State-operated or State-supported institutions.

Senator INOUYE. That they are going to serve?

Mr. BAUER. Well, let me follow up a little bit on that.

Every State agency has to claim the children by showing the number of children that have a period of attendance in the prior year. That, times the State's per capita expenditure, results in a certain level of funding. Once a State's entitlement is determined that amount is then ratably reduced to come within the appropriation level. There are some disparities that result from differences in the State's per capita expenditures.

But basically that's the way the chapter 1 handicapped allocation for each State is determined.

Now the State agency may have 1 institution, it may have 20. But there is a specific amount, a specific allocation for a State, just like there is a specific allocation for a local educational agency.

And the question then is what the Federal contribution per child will be.

So what we're talking about here is just that process of identification. Now in local districts you have to go through a process of identifying attendance areas, identifying kids. You have to assign a relatively small proportion of the total local school population, whereas in State institutions they're serving a high proportion if not all of the children who are there and who, by virtue of being there, are being eligible to be counted for payment under title I assistance as defined by the statute.

Senator INOUYE. So whether it's an institution or a school system, the Federal contribution would be determined by the number of children serviced by that State.

Mr. BAUER. Basically, yes, sir.

Mr. DAVENPORT. Well, I think the figures are more—for the education of the handicapped, Mr. Bauer. Are you talking about the number of children handicapped who generate funds?

Mr. BAUER. Right. And the same thing is true——

Senator INOUYE. In other words, let's put it this way. Let's say that the State of Hawaii decides to, by law, change the definition of who is handicapped and by the change in the definition, it cuts the applications in half or the numbers served in half.

Then your assistance program will be cut in half as far as Hawaii is concerned?

Mr. DAVENPORT. No; there's Federal law on the definition of handicapped that must be considered. If that question arose, it would probably be settled by a different body than us.

ECONOMIC PROBLEMS OF THE STATES

Senator INOUYE. My concern is that—an obvious concern, not only the Nation but more than ever, the several States are experiencing horrendous economic problems. There isn't one single State with a balanced budget. If we think that our deficits are bad on a comparative basis I think some of the other States are in worse shape.

And then as a result I suppose once again the handicapped children will be on the bottom of the list.

Mr. DAVENPORT. Senator, I beg to differ on this point. First of all the Federal contribution is supplemental to whatever the State provides under basic services.

That is one of the key points that I would hope to keep stressing. We are providing supplemental services as we are in chapter 1, the State agency handicapped program, the neglected and delinquent program.

When we talk about these subjects, it is difficult for people to keep in mind the distinction between supplemental and basic services. It is important to remember that chapter 1 provides supplemental services.

Senator INOUYE. Supplemental. We're providing what? Eight percent?

Mr. DAVENPORT. Eight percent nationally, yes.

Senator INOUYE. What was it 2 years ago?

Mr. DAVENPORT. In which program, sir?

Mr. BAUER. About the same.

Senator INOUYE. Was it the same?

Mr. DAVENPORT. I'm not sure.

Mr. BAUER. The Federal contribution to elementary and secondary education has remained in the 7- to 8-percent range for the last couple of years.

Mr. DAVENPORT. Can we check it and get back for the record? I'm pretty sure that's about it.

Mr. BAUER. Senator, again under the Education for the Handicapped Act, the States are required to serve all handicapped children.

Senator INOUYE. And who defines handicapped children?

Mr. BAUER. It is defined under the Education for the Handicapped Act.

Mr. DAVENPORT. Yes.

Mr. BAUER. The only thing that is being affected here is the Federal contribution under chapter 1, not the number of children. And again, we're providing under this budget, $2 billion for handicapped children and adults out of a budget of a little over $13 billion.

I don't think that's particularly parsimonious, although we can obviously describe needs, greater needs. Someone can make a case for needs that need to be met. But $2 billion is, I think, a significant part of this budget.

ILLITERACY IN THE UNITED STATES

Senator INOUYE. Finally, I don't know whether I should ask this question, but this is just as good as anyplace else.

Recently I've read statistics that just horrified me. It said that in the United States, 56 percent of Hispanic adults are functionally illiterate;

47 percent of adult blacks are functionally illiterate; and 16 percent of adult whites are functionally illiterate. And they were supposed to have come from the Department of Education.

Are these numbers correct?

Mr. DAVENPORT. We will get the figures for you and provide them for the record. Off-hand, I don't know those percentages.

[The information follows:]

FUNCTIONAL ILLITERACY IN THE UNITED STATES

Figures from a report entitled Basic Skills in the U.S. Work Force done by the Center for Public Resources indicate that 13 percent of white, 43 percent of black, and 56 percent of Hispanic 17-year-olds are functionally illiterate and that between 40 and 50 percent of all students in urban areas have serious reading problems. This study, however, was not sponsored by the Department of Education.

A study funded by the Office of Education, the adult performance level (APL) study, and reported in 1975 also shows the scope of the literacy problem in this country. That study estimated that 23 million adults function with great difficulty in our society and could be accurately called "functionally illiterate." An additional 40 million would function but not proficiently. This would total 63 million Americans who do not have proficiency in the necessary literacy skills required to function in everyday adult life. Since the APL study was made, the Nation's adult population has increased substantially. There has been no new data to suggest that the number of Americans who lack the reading, writing, and computation skills needed to meet the requirements of daily living has decreased.

FUNCTIONAL ILLITERACY

Senator INOUYE. Does anyone here know whether they're anywhere near the ball park?

Mr. BAUER. I seem to recall that they are.

Mr. STAEHLE. The figures come from a study done by the Center for Public Resources.

Mr. BAUER. The study is entitled "Basic Skills in the U.S. Work Force."

Senator INOUYE. Is there any validity to those statistics?

Mr. BAUER. I really don't know because I haven't seen the report. I've only seen an article on the report.

Senator INOUYE. Because if they're anything correct, we're in trouble.

Mr. BAUER. Again it depends on how they defined functionally illiterate.

Senator INOUYE. Those who can't read labels.

Mr. BAUER. I am not sure that's how they determine functional illiteracy.

Senator INOUYE. Well, that's what the article said.

Mr. STAEHLE. We will provide the details for you, Senator.

Senator INOUYE. I would appreciate that.

Mr. STAEHLE. Thank you, sir.

HEP AND CAMP

Senator WEICKER. What is of concern to me, and this will be my last question, but I think it also touches upon what has been developed by Senators Inouye and Proxmire and myself.

This is typical of the proposals that so far I've come across from this administration in the area of education.

Just listen to this question and I think you'll understand why we're very wary of what you people do in terms of shifting responsibility, either to other Federal agencies or to the local government, and then taking care of the problem at that other level or at that other agency.

The fiscal year 1984 budget again proposes to eliminate the high school equivalency program and the college assistance migrant program, citing these programs as expensive relative to other Department programs mentioned in the Department's justification to serve these populations.

You indicate that the adult education program and the TRIO program could serve these youngsters at a lower cost. However, the TRIO program in your fiscal year 1984 budget would be cut by $90 million, and the adult education program would be subsumed in a greatly reduced vocational and adult education block grant.

On what basis do you assume that those served by these migrant programs targeted for elimination would be served by these other programs, which you're either reducing or eliminating?

Mr. BAUER. Well, in the vocational and adult area that were mentioned, we are consolidating the program, and we will have significant administrative savings as a result if Congress favorably acts on our proposal.

I think it's important to keep in mind that on HEP and CAMP we're talking about two programs that only serve about 2,700 students at a relatively high cost of over $2,500 a year.

Senator WEICKER. Then why don't you say that the cost is too high and we're going to reduce it rather than that they're going to be served by these other programs where they're not going to be served in the same fashion?

Mr. BAUER. Well, that's what I just said.

Senator WEICKER. Well, I tell you, you've got to have a fast set of eyes to watch this administration.

The cut in vocational and adult education is $323 million. Now you're telling me that's administration?

Mr. BAUER. No; I said there will be significant savings, administrative savings.

I'm looking at our justification that we submitted on particularly the CAMP program. And we don't mention the items that you're bringing up. We say that special services projects under special programs for the disadvantaged provide services similar to those provided by CAMP.

Ms. HARRISON. That program is commonly known as TRIO.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Weicker**. Well, I've got further questions that will be submitted for response to the record. Other Senators on the committee will be given leave to submit questions for response to the record.

I have no further questions.

Mr. **Davenport**. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EVALUATIONS

Question: You State in Your Budget Documents that the Department will intensify efforts to identify and disseminate information on Chapter 1 programs for the Disadvantaged that are low in cost and effective. What steps to intensify these efforts are planned and how does your budget reflect this increased activity?

Answer: The Department will take steps of two types. One strategy is that program staff will work with State administrators to use their evaluation data to identify effective practices, to document their effectiveness and the validity data used to reach that conclusion and to present the evidence for certification by the Department's Joint Dissemination Review Panel. (One of the panel's criteria for certification is also that the effective practices also be affordable.) Staff of the Chapter 1 Technical Assistance Centers will help State staff in these steps. Information about the effective practices is disseminated by the program staff and by the National Diffusion Network.

The second strategy is a special grants competition in which States are awarded funds to undertake special initiatives to improve local Chapter 1 projects. The special initiatives are unique to each State but examples are the establishment of their own identification/validation procedures, the use of State testing programs to focus on effective Chapter 1 sites, and the development of procedures for helping districts diagnose strengths and weakness of their own projects.

These strategies are reflected in our 1984 budget request of $5.76 million for Chapter 1 studies and evaluations. Evaluation funds will support our technical assistance efforts as well as the Secretary's initiative to identify and disseminate information on high quality cost-effective Chapter 1 programs.

Question: Is there consensus amoung educators about how to assess the cost-effectiveness of Chapter 1 programs for the disadvantaged. Can a program be "good" even though the per pupil cost maybe higher than average?

Answer: Educators agree on general principles for assessing the cost-effectiveness of Chapter 1 programs. Some general techniques States use include grouping projects that are similar in cost to ascertain which seems to be the most effective and grouping those that are similar in effectiveness to ascertain which seems the most efficient. Seldom do they compute mere "effectivenes per dollar spent" measures, and most methodologists advise that they do not.

Judgement about whether a program is "good" involves determinations about the size of participants' achievement gains compared to gains of similar children in other types of programs. Local and State educators bring considerations of cost into the judgement of "good" when they compare costs for programs for similar children with similar evidence of effectiveness. They also must consider whether there are other needy children being served when they decide if their effective practices are "good enough" in terms of cost-effectiveness.

Question: As a practical matter, how do local school officials tell if their projects are "good"?

Answer: Local educators conduct evaluations of their projects' effectiveness and compare their outcomes to those of similar sites serving similar students. States facilitate these comparisons by tabulating data from all projects and making information about the range of gains to their districts.

CHAPTER 1 AUDITS

Question: Who is responsible for conducting audits in Chapter 1, Education Consolidation and Improvemnt Act, program? What role will the Office of the Inspector General play in these audits? What role must the States and the local educational agencies play?

Answer: State and local governments that receive Chapter 1 funds must comply with the organization-wide audit requirements established in Attachment P to the Office of Management and Budget (OMB) Circular A-102. The State educational agencies (SEAs) are responsible for ensuring that single, organization-wide audits are conducted by agencies receiving Chapter 1 funds. The Office of Inspector General will assist SEAs in implementing these audits. The Inspector General has the authority to conduct additional audits of the use of Chapter 1 funds.

Question: Who is to pay for the audits of Chapter 1, Education Consolidation and Improvement Act, programs? If audits are conducted by the States or local educational agencies, at Federal request can they use any Federal grant to pay for them? Can they use Chapter 1 program funds?

Answer: The costs of the organization-wide audits required under Attachment P of OMB Circular A-102 and 34 CFR 74.62 may be charged to the programs being audited as direct or indirect administrative costs. Of these costs, a proportionate share may be charged to the Chapter 1 program.

CHAPTER 1 BUDGET REQUEST

Question: The Federal Government now has supported Compensatory Education programs for the disadvantaged for 17 years. Formerly known as Title I of the Elementary and Secondary Education Act, now called "Chapter 1 of the Education Consolidation and Improvement Act of 1981", the program has provided supplementary math and reading programs to low-income students needing special educational attention. A number of recent press reports have indicated that students with poor academic track records made major gains in reading during the 1970's with Blacks making the most progress in reading, math and science. Studies ascribe the gains to Federally funded programs but also point to a decline in achievement in these areas among the so-called high achieving students". Isn't this an indication that more not less Federal support is needed in all basic subject areas important to our edcuational growth, such as reading, math, science, language skills, etc.?

Answer: Both the 1983 and the 1984 request for Chapter 1 reflect the need to control Federal spending while continuing to meet our responsibility in assisting State and local educational agencies to provide compensatory educational services for the disadvantaged. We believe that this is a solid budget proposal, given our limited resources, which maintains our commitment in this area. Chapter 1 activities remain a high priority within the Department, comprising nearly 23 percent of our 1984 budget request. In deed we have proposed an $167 million increase for 1984 over the 1983 revised request in the LEA grant program because of its demonstrated success.

PARENT ADVISORY COUNCILS

Question: Chapter 1 of the Education Consolidation and Improvement Act repealed the former compensatory education program requirement that recipient school districts must establish school and district-wide parent advisory councils. Have local school districts by and large done so?

Answer: To date, the Chapter 1 programs have been reviewed in ten states. In most cases, the school district in these states are continuing to use parent advisory councils.

Question: Where councils have been abolished, have districts established other formal mechanisms with which to involve parents?

Answer: Chapter 1 requires that projects be designed and implemented in consultation with parents and teachers of the children to be served. If councils have been abolished, a local educational agency would have to establish other formal mechanisms to meet the Chapter 1 requirement before a State educational agency could approve its application for Chapter 1 funds.

CHAPTER 1 VOUCHERS

Question: The Administration's voucher proposal would provide a monetary voucher to be used by parents of disadvantaged youngsters to send their children to the private or public school of their choice. When can the Congress expect to see the details of this proposal?

Answer: The Administration's voucher proposal was submitted to Congress on March 17, 1983.

Question: To what extent would the participation of a local school district in the voucher proposal be voluntary?

Answer: Under the proposed bill the States education agencies could require that all local education agencies adopt a voucher system. If the SEA does not make such a requirement, a local educational agency would have the option of implementing a voucher program on its own.

Question: Could a State require that all school districts in its State operate under this voucher system? Could a school district opt out of the voucher program in that situation?

Answer: A State education agency could require all school districts within the State to implement a voucher system. The ability and desire of local school districts to implement a voucher system would be issues that the SEA would consider before implementing the program State-wide.

Question: What existing Department of Education programs serve students in private schools? Please elaborate or provide for the record.

Answer: The following programs may serve students in private schools:

Chapter 1 Grants to LEAs
Chapter 2 State Basic Grants
Education for the Handicapped programs

In addition, almost all of the Department's higher and continuing education programs and student aid programs may serve students who attend private postsecondary institutions.

1983 RESCISSION

Question: The proposed increase of $167 million in FY 1984 would allow 316,000 more children to be served than under your revised 1983 budget. The justification states that this increase is proposed because of the proven success of the program and because it is the Department's highest priority in Elementary and Secondary Education. If this is the case, why propose a $125 million rescission in FY 1983?

Answer: The proposed rescission for 1983 reflects the need to curtail Federal spending while enabling us to meet our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged. Under the revised 1983 budget, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by the Congress to aid in the transition from using 1970 instead of 1980 census data as the basis for allocating funds. HEP and CAMP would also be terminated under the 1983 rescission proposals.

The 1984 request of $3 billion for all of Chapter 1 represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within that total Chapter 1 request we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target population, we are seeking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion.

In order to increase funding for the LEA progam we have proposed reductions in the Chapter 1 State agency programs and State administration and have requested no funding for HEP and CAMP.

CHAPTER 1 CARRYOVER FUNDS

Question: Have school districts had a reserve of carryover funds unobligated from previous fiscal years with which they have cushioned the appropriation reduction undr Chapter 1 of the Education Consolidation and Improvement Act?

Answer: Some local educational agencies deliberately plan programs within a budget that will provide a balance of funds to be carried over into the next fiscal year. This is necessary to provide stability in funding if the district hopes to maintain the same program year after year, taking into consideration inflation and possible reduction in allocations.

Question: To what extent are carryover funds still available to school districts?

Answer: The carryover authority was continued by Chapter 1. The amounts of funds currently being carried over would vary from district to district. For example, the districts in the 800 counties that received grants from the 1982 supplemental appropriation would probably have a larger carryover balance than the other districts.

STATE AGENCY HANDICAPPED PROGRAM

Question: Your Budget proposes to reduce the amount spent on Handicapped children under the State Agency Handicapped Program from $603 per child currently to $431 per child in 1984. Your ultimate goal is to bring this figure down to $245 per child the same amount for children served by 94-142 grants. Why do you believe this is an appropriate amount to spend on handicapped children when you are budgeting $531 per child under the State Agency Migrant Program, $525 per child under the local education agency program and $577 per child under the Neglected and Delinquent Programs?

Answer: The Chapter 1 Handicapped program provides the same type of service as that provided under the Education of the Handicapped Act (EHA). However, the Federal contribution per child under the Chapter 1 program in 1983 is expected to stand at $603, while the contribution under EHA is $245. We see no reason for the differentiation. In 1984 we want to decrease the average Federal contribution per child under the Chapter 1 handicapped program by $172 in order to begin bringing it in line with that provided under EHA. We believe this is necessary to eliminate funding inequities that exist between the Chapter 1 and EHA programs among the States.

Question: Can you tell us what objective criteria you use to determine how much should be spent per child under the basic, handicapped, migrant and neglected programs?

Answer: The figures that we show in our budget proposals are the Federal contribution to the per child cost of providing services. In no way do they represent the total cost of providing services. State and local governments cover the largest portion of the per student cost of providing education services. They also control how many children will be served with Federal funds and what the actual Federal contribution per child will be.

Our estimates of the Federal contributions are shown in budget documents are based on past experience and the amount of budgetary resources proposed for the program.

Question: Since these children are the most serverly handicapped and often wards of the State, can you tell us how the total costs per child compare with the cost per child under P.L. 94-142 child?

Answer: We have no data available on the per child cost at state-controlled or State-operated institutions. However, the average cost nationally of educating a handicapped child was estimated at $4,700 for 1982.

1983 RESCISSION

Question: In Fiscal year 1982, there was considerable confusion over whether compensatory education programs for the disadvantaged funds (known as "Chapter 1") would be distributed based on the 1970 or 1980 census. To hold State harmless, Congress provided a $148 million supplemental so that school districts would receive the higher allocation based on either 1970 or 1980 census data. For FY 1983, the census was used, and the FY 1983 level appropriated by the Congress for this program was a real increase, not one based on hold harmless for the States. In Monday's hearing, Secretary Bell indicated that the $125 million rescission proposed for Chapter 1 would remove the hold harmless since it was no longer needed. Frankly, it should be clear that the Congress did intend a real increase and by keeping the funds, but removing the hold harmless bill language, that should have been clear. Is that your understanding? Why then are you requesting a rescission?

Answer: The rescission proposed for 1983 reflects the need to curtail Federal spending while enabling us to meet our responsibility in assisting State and local educational agencies to provide compensatory educational services for the disadvantaged. Under this 1983 revised request, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by Congress to aid in transition from using 1970 to using 1980 census data as the basis for allocating funds. We believe this Federal financial situation for fiscal year 1983 does not warrant an increase in Chapter 1 funding over its 1982 level.

CHAPTER 1 NEGLECTED AND DELINQUENT PROGRAM

Question: The budget proposes $21.9 million for neglected and delinquent children — a cut of one-third — or $10.7 million from last year. The justification indicates that as as result, more than 9,000 children — 20 percent of those currently served, will no longer receive Federal support. For those remaining, the Federal contribution would decline from $694 to $577. What is your rationale for cutting support for these children?

Answer: The reduced funding level for 1984 reflects a reordering of priorities within the entire Chapter 1 activity in order to shift funds to the program in local educational agencies. The average daily attendance of children in institutions who are eligible to participate in Chapter 1 programs is approximately 50,000 and approximately 37,900, or 76 percent of those eligible, will be served in 1984. The 1984 budget request brings the Chapter 1 contribution per child for children in state institutions ($577) closer to the amount available for identical children in local institutions ($525).

Question: What evidence do you have that state and local agencies will compensate for the loss of Federal funds?

Answer: Only state agencies directly responsible for providing free public education for institutionalized neglected or delinquent children are eligible recipients of Chapter 1 funds. A national study showed that the state agencies were contributing only 68 percent of the funds spent on education in the state institutions. While we have no evidence that the State will compensate for the loss of Chapter 1 funds, we believe that the States should assume a larger responsibility for educating these children for whom they are responsible.

Question: According to your justification, the one-third cut in neglected and delinqent program would decrease your share of total costs from 20 percent to 14 percent. Why did you decide that 14 percent was the right Federal contribution in 1984 instead of 28 percent, or 11 percent or zero percent?

In 1983, roughly 20 percent of the funds available at the state level for educating neglected and delinquent students will come from Chapter 1. Under the 1984 request the Chapter 1 share will decline to about 14 percent of the total. Despite the decrease, the contribution provided by Chapter 1 would exceed the estimated 7 to 8 percent Federal share of funds going to public education nationally. We believe the States should assume a larger share of the educational responsibility for neglected or delinquent children and a gradual reduction, rather than a drastic reduction, will provide States some time to assume this responsibility.

Chapter 1 Migrant Education

Question: Overall, funds for migrant education in the Department would be reduced by about 50 percent under your budget proposal. How realistic is it to assume that migrant children will be served by other programs in the Department's budget?

Answer: A significant number of children served under the Chapter 1 Migrant program have remained in the same school district for one year or more, that is, they have not migrated. We contend that those children should not have been receiving services as migrant students in the first place. Those disadvantaged children who fall out of the migrant program for this reason, however, would remain eligible for compensatory services under the Chapter 1 LEA grant progam.

Question: How realistic is it to assume that they will be served with non-Federal dollars to compensate for the loss in Federal funds?

Answer: Most of the children who fall out of the program because proposed changes in the regulations and legislation or because of cuts in the budget would remain eligible for compensatory education services under the Chapter 1 LEA grant program which we have proposed to increase in 1984. We expect that many will be served under that program.

Question: What changes are you proposing in the definition of migrant children and how will such changes affect future funding needs in migrant education?

Answer: The definition of a "currently migratory child" under the proposed regulations would add the stipulation that such a child would have to have his education interrupted as a result of his migrancy. A number of audits completed by the Inspector General's office have shown that the program serves a significant number of children whose education has not been interrupted by their migrant status. Those children, however, who cease to meet the requirements of the proposed currently migrant definition would remain eligible for services up to two years as "formerly migratory" students under proposed legislation. That proposal would enable formerly migrant children to be regarded as migratory for two years for purposes of remaining eligible for services and being counted by the State in the allocation process regardless of whether they actually migrated since their initial move. Thus, the change in the definition would not immediately affect the number of students eligible for services or the funding needs of the program.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

CHAPTER 1 HIGH SCHOOL STUDENTS

Senator Proxmire: Your justifications indicate that only 21 percent of basic grant funds are spent at the secondary school level while 39 percent of the state agency migrant funds are spent at that level. What accounts for the difference?

Answer: Historically, local educational agencies (LEAs) have placed emphasis on early intervention. As an educationally deprived child gets older, without special help, he or she falls further and further behind. Education deprivation is cumlative. To prevent this, LEAs concentrate the services early in the child's education. Approximately 72 percent of the Chapter 1 participants are in grades 1-6. As the compensatory education appropriation increased over the years the LEAs were able to expand services to include some children in secondary schools.

Because of a noted high dropout rate among children of migratory workers, the state agency migrant program has made a special emphasis to expand programs to children at the secondary school level.

Senator Proxmire: Are you concerned over the fact that such a modest percentage of your basic grant support is spent at the secondary level to prepare students to enter the workforce?

Answer: Chapter 1 is directed at basic skills rather than vocational education. In this sense, sound early schooling in the basic skills is preparation for eventual entry into the workforce.

Senator Proxmire: You are proposing language in the compensatory education program which would use the poverty criteria utilized by the Census Bureau in 1980 in allocating Chapter 1 funds. Without this language you could use data from the 1980 census but would have to adjust those data to reflect the poverty criteria established under the 1970 census. How would the poverty criteria change and how would this change affect fund distribution among various cities and states?

Answer: The difference between the 1970 census and 1980 criteria are fairly minor. Under the 1980 criteria the difference between farm and non-farm families was deleted, the size of the households was expanded from seven people to nine, and the differentiation in the sex of the head of household was eliminated.

The legislative change concerning the criteria for poverty will have little impact on the actual allocation of funds. The change is proposed in both special appropriations language and legislation in order to eliminate confusion and bring about some consistency in the use of data in making Chapter 1 allocations. If we use 1980 census income data to determine the number of children from low-income families, then we should also use the poverty criteria associated with the 1980 census.

This proposal will have little impact on the actual number of children from low-income families within each State. The following tables compares the relative percentages of poverty children each State would have based on the 1970 census and the 1980 census using the 1980 poverty criteria and the 1970 criteria. (Note that the number of children from low-income families is the principal factor in determining a State's Chapter 1 allocation.

Percentage of Poverty Children 1/

	1970 Census	1980 Census: 1980 Criteria	1980 Census: 1970 Criteria
Totals	100%	100%	100%
Alabama	3.27	2.56	2.56
Alaska	.15	.13	.13
Arizona	1.01	1.16	1.15
Arkansas	1.87	1.44	1.43
California	7.17	8.38	8.43
Colorado	.85	.80	.81
Connecticut	.66	.84	.86
Delaware	.20	.23	.23
Flordia	3.60	4.01	4.05
Georgia	3.53	3.22	3.24
Hawaii	.23	.29	.30
Idaho	.29	.36	.35
Illinois	3.63	4.34	4.34
Indiana	1.48	1.68	1.66
Iowa	.87	.83	.81
Kansas	.78	.64	.63
Kentucky	2.51	2.15	2.14
Louisiana	3.71	2.85	2.87
Maine	.44	.47	.47
Maryland	1.41	1.35	1.36
Massachusetts	1.41	1.82	1.84
Michigan	2.65	3.28	3.29
Minnesota	1.19	1.04	1.01
Mississippi	3.15	2.33	2.31
Missouri	2.08	1.80	1.78

		1980 Census	
	1970 Census	1980 Criteria	1970 Criteria
Montanta	.30	.27	.27
Nebraka	.55	.47	.47
Nevada	.13	.19	.19
New Hampshire	.17	.22	.22
New Jersey	1.87	2.61	2.53
New Mexico	.97	.83	.83
New York	6.33	8.09	8.15
North Carolina	3.76	2.85	2.85
North Dakota	.33	.24	.23
Ohio	3.29	3.59	3.60
Oklahoma	1.47	1.19	1.19
Oregon	.65	.71	.71
Pennsylvania	3.67	4.00	4.02
Rhode Island	.29	.30	.30
South Carolina	2.49	1.85	1.87
South Dakota	.41	.36	.35
Tennessee	2.95	2.50	2.49
Texas	7.66	7.36	7.38
Utah	.37	.43	.43
Vermont	.16	.18	.18
Virginia	2.58	2.04	2.04
Washington	.96	1.08	1.09
West Virginia	1.28	.96	.97
Wisconsin	1.25	1.24	1.21
Wyoming	.12	.10	.09
District of Columbia	.45	.36	.37
Puerto Rico	7.38	7.95	7.82

Senator Proxmire: Your budget request includes $5,760,000 for evaluation and studies. How much do you plan to spend on national studies and how does this total compare with the amount you are spending in 1983?

Answer: Of the $5,760,000 requested for Chapter 1 evaluation and studies approximately $4.5 million will support activities to provide technical assistance for States. The remaining $1.2 million will support national studies. For 1983 we have $4,764,000 appropriated for evaluations and studies. Of that amount about $285,000 was budgeted for national studies and the remaining amount will support the Department's technical assistance efforts. In 1982 about $576,000 of the $5,760,000 appropriated was budgeted for national studies with the remainder going for technical assistance.

Senator Proxmire: Please tell us briefly what you learned from these national studies in 1982 and 1983 and provide for the record a list setting forth the cost of each study and summarizing each study's conclusions for the past 24 months.

Answer: Conclusions for studies sponsored since April, 1981 are listed below.

The study of Parental Involvement in Four Federal Education Programs was funded from set-asides for studies of Title VII, ESAA, and Follow Through in addition to that for Title I. $600,000 was spent from the Title I set-aside to support this study in 1978-82. The study responded to the mandate in Section 125(f) of ESEA, Title 1.

Conclusions of the study were:

- o Most projects had a project-level advisory group. Site study evidence showed that about one-third of the advisory groups made suggestions that were acted upon by project staff.
- o A typical project for a Federally funded program had an advisory group and scattered examples of other parental involvement activities. Few projects had no parental involvement, and few had extensive parental involvement.
- o After advisory groups, the next most frequent form of parental involvement was as participants in communication with the project. Most communication was in written form and went from the project/school to the home.
- o Projects often had parents serving as paid aides. However, in any one project there were very few parents serving in this role, and many were parents of children who were no longer part of the project.
- o Most projects provided some form of parent education. Usually, this was in the form of a one-time offering.
- o Many types of parental involvement activities occurred infrequently, including instructional volunteers, systematic programs for parents to teach their own children at home, non-instructional volunteers, and face-to-face discussions among parents and staff.

The Study of Sustaining Effects of Compensatory Education began in June of 1975, in response to the Education Amendments of 1974, and ended in June of 1982. The study documented elementary school students' receipt (and non-receipt) of compensatory services for Title I and State sources and their growth in the basic skills over 3 years. It was funded for $500,000 (its last year). Major findings were:

- o Of all Title I program participants (approximately 5 million children, spanning 68 percent of the nation's schools), about 82 percent received reading instruction and 34 percent math. The level of instructional resources devoted to Title I participants was about 1.5 times greater than for similar non-compensatory students. More than half the schools in the survey provided Title I services to students in private schools, and with a comparable per-pupil expenditure.

- Compared to similarly needy but non-compensatory education students in economically deprived areas, the Title I students learned more in reading for grades 1-3 (though not for grades 4-6); in mathematics, the Title I students significantly surpassed the non-Title I students in each grade from 1-6.

- The achievement gains made by Title I students tended to persist over the summer and through subsequent school years, even after services had been discontinued. Limited evidence indicates that low achieving students who receive summer school instruction in reading appear not to catch up with their more advanced peers (Hoepfner, 1979) as a result of this participation.

- The factors found to be related to increased student achievement growth during the first year of the study include: greater amounts of regular and tutored instructions, greater teacher experience, lack of disruption to instruction, frequent feedback on progress, and greater teacher effort in planning and evaluation. However, there are not many strong relationships between the size of the improvement and these other factors.

- Of those who receive Title I in any one year, about 40 percent will not be in the program the following year; most (60 percent of those who discontinued) of these students "graduate out" due to high achieve ment. This standard for selection is suppported by the achievement data -- the average percentile for those continuing in Title I is 22, while the average percentage of those "graduated out" is 34. After a year without services, children who "graduated out" is 34. After a year without services, children who "graduate out" tend to maintain their achievement at this higher level.

- Looking at student growth over 3 years, we found also that the Title I students' achievement tended to improve during their participation in Title I and not decline after Title I stops.

- New participants in Title I show a recent history of achievement decline -- the reason they were selected for Title I -- and a modest reversal of that decline upon participation.

- "Chronic 3-year Title I participants show little improvement and stay at low achievement levels.

The Study of Alternatives for Measuring Comparability was mandated by Section 102 of P.L. 95-561 and resulted in a report to Congress in September of 1981. The study cost $600,000, and major findings were:

- Of 405 districts administrators telephoned
  - 27 reported administrative burden from the comparability requirements;
  - 94 reported conflict with state/local resource allocation policies;
  - 18 reported both administrative burden and conflict with state/local resource allocation policies; and
  - 266 reported no problem with comparability.
- Little evidence was found that the 1981 comparability provision resulted in excessive administrative burden. Ninety-five percent of the study's 44 districts identifed one or more comparability-related tasks as burdensome. However, over 50 percent reported spending less than 10 staff days per school-year on comparability. Most of the burden reported by districts was associated with data collection because often data were not available in the format required for comparability.
- Seventy-five percent of the 44 districts perceived comparability requirements to conflict with State or local resource allocation policies. However, only one of these districts was able to provide a concrete example of how it was prevented from carrying out local policies for allocating staff, programs, and services.
- Alternative comparability provisions were shown to have little uniform impact on administrative burden. Some changes examined could eliminate tasks many districts consider to be burdensome (e.g., inaccessible data need not be collected). However, changes could increase burden for some other districts (e.g., collecting data on expenditures for instructional services per pupil for districts that do not now collect such data).
- Since most implemented alternatives were designed to reduce administrative burden, they had little impact on conflict.
- No evidence was found to support changing the existing comparability provisions in a uniform fashion. However, it was found that if SEAs are given greater discretion in administering comparability (e.g., by permitting districts to use alternative criteria on a case-by-case basis), many districts could benefit.

The two-year study of State Management Practices under Title I, began in 1980, and funded at a total for both years of $600,000 found the following:

- Thirty-nine States monitor their programs for quality as well as for compliance with the law. Monitoring for program quality includes activities such as classroom observation, interviews with teachers, and examination of evaluation findings.

- The quality-oriented States tended to use monitoring to identify areas in which technical assistance would be helpful, and intended to continue to do about the same amount of monitoring even if there were little or no federal monitoring requirements. Monitoring would be affected, however, by a reduction of resources at the State level.

- Almost all States felt that parents should be involved in Title I (now Chapter 1) programs in the form of participation as described in Section 124 of the 1978 Amendments, but few States give complete support for Section 125, which contained requirements for parent councils.

- Twenty-two States were active rule-makers and made rules to help districts design quality programs. The active rulemakers tended to monitor to ensure program quality but were less active in monitoring to ensure program compliance. Districts had difficulity differentiating State from Federal rules?

- States use technical assistance both to help districts implement legal programs and to help districts improve programs. Most States plan to continue providing technical assistance under Chapter 1, although cutbacks in State funds will in some cases result in either reduced or less intensive technical assistance.

- Although 33 States used a 3-year district application cycle as allowed by the 1978 Amendments, only 19 said that paperwork was reduced for both them and their districts. Under Chapter 1, the State Coordinators wanted to consider streamlining the application approval process by methods such as using a consolidated application for Chapter 1 and other State and Federal programs.

- A majority of State Coordinators said that evaluation data were important to improve programs and encourage their districts to use evaluation results. Approximately 30 planned to use the Title I Evaluation and Reporting System (often in a modified form) under Chapter 1 of ECIA.

The Study of District Practices of Title I was funded to document how local educators responded to the various choices offered to them in the Education Amendments of 1978 and what changes they anticipated under ECIA. A three-year study, is still underway, focusing specifially on effective ways districts serve nonpublic school students. The three years cost a total of $2 million.

Findings from the first two years were:

- More than 90 percent of the Nation's districts offered Title I in 1981-82, to a total of 4.8 million students. The number of students served had declined roughly 12 percent since the 1979-80 school year.

- Forty-four percent of the districts served all eligible students, while fifty-six percent of the districts selected program participants from an eligible pool.

- Nearly all districts used "cutoff" scores on achievement tests to selected students, but they were used exclusively in only some districts; three-fifths of all districts reported that teachers could decide to give Title I services to students above the cutoff; a similar number of districts reported that teachers could decide that students below the cutoff did not need the services; 25 percent of the districts reported that one factor considered was a students's potential for success.

- Most Principals and Title I Directors expected to use Title I funds for non-Title I students under ECIA's "utilize part" provisions, and 39 percent of the Title I Directors expected reduction or dilution of services to current program participants as a result. 71 percent of the Principals said that they favored the "utilize part" provision, but 38 percent warned that a diluted effect or abuses of Title I funding could be expected; 60 percent of the Title I Directors expected little or no change in the student population served as a result of the ECIA "permits" provision, but over one-third of the Title I Directors expected that districts would serve students who could benefit the most and not necessarily those students furthest behind.

Regarding the provision of services to limited-English-proficient (LEP) students and handicapped students, the study found:

- Practices among districts ranged from including all LEP and handicapped students in Title I to excluding all of them from the program.

- Some districts identified a number of conditions which affected these students' eligibility for Title I.

- LEPs were more likely to be admitted to Title I than were handicaped students.

- Most Title I Directors and Principals favored their districts' policy or practice for serving LEPs and handicapped students in Title I.

- Regular classroom teachers more strongly favored serving multiply eligible students in Title I than did Title I instructors.

Regarding the various fiscal provisions of Title I:

- Very few Title I districts (6 percent) report having difficulty meeting Title I standards for maintaining State and local effort, and very few Title I Directors reported that maintenance of effort was a major issue in their districts.
- Of those districts that had difficulty with maintenance of effort, only 9 percent had their Title I funds reduced because of the problem and no districts lost their funds for the entire year.
- Of the one-third that sought a waiver of the maintenance of effort standard, all received a waiver.
- Forty-eight percent of the Title I Directors reported that the new 10 percent "slippage factor" in the ECIA maintenance of effort provision would help given probable decreases in State and local resources. However, 34 percent of the Title I Directors said they could not predict the effect of new "slippage factor." Opinions were divided among the remaining 18 percent of the Title I Directors.
- Some Title I Directors felt that new ECIA comparability standards were acceptable (58 percent) or might provide relief from paperwork (24 percent); others, however, warned that the revised standards did not seem sufficient to ensure comparable resources between Title I and non-Title I schools (20 percent).
- Twenty-eight percent of Title I Directors interviewed reported that their districts had problems implementing some aspect of the supplement-not-supplant requirment.
- Of the districts surveyed by mail, 16 percent reported that State staff reviewing their applications objected to program plans because of possible violations of State or Federal regulations; in 19 percent of these cases, State staff raised issues connected with supplanting.
- Ninety-one percent of the Title I Directors interviewed reported that their districts had no problems with the excess costs requirements.

Regarding districts' perceptions of State administration:

- Since the Education Amendments of 1978, which clarified the legal framework for state Title I administration, application approval was reported to have become more rigorous (44 percent); formal on-site monitoring had increased somewhat (22 percent); and the quality or availability of State technical assistance had improved (55 percent).
- The Title I applications of most districts appeared to have been approved by the state without objections

about educational ineffectiveness (97 percent); without objections about possible Federal or State regulations (84 percent); and without revisions to the application (73 percent).

- Most districts (78 percent) reported no increase in frequency of formal on-site monitoring visits by State staff since 1978; a minority of districts (22 percent) said there had been an increase in the frequency of on-site monitoring since 1978.

- The majority of districts (68 percent) indicated they received technical assistance from the State and were satisfied with State efforts at technical assistance. However, a significant percentage of districts (32 percent) reported that they did not receive technical assistance from the State.

- Most districts (70 percent) said their Title I program had been included in audits (State, Federal, or both) since 1978; however some districts (30 percent) reported that their Title I program had not been included in an audit since 1978. Eighty percent of the districts indicated that Federal auditors examined both fiancial records and compliance with Title I regulations; only 70 percent of the State auditors did this.

  Many districts reported making changes in the operation of their Title I programs as the result of audit findings and exceptions.

- Only 26 percent of the districts reporting a substantial change in the number of Title I students served by grade level since 1978 considered State influence a very important or somewhat important reason for substantial changes in the number of Title I students served by grade level since 1978.

- Only 23 percent of the districts indicating a substantial change in subject area emphases of their Title I program said State influence was a very important reason for these changes.

- Forty-six percent of the districts using a pullout design for part or all of their Title I program indicated that State influence was a very important or somewhat important reason for those changes.

- Thirty-four percent of the districts making changes in Title I staffing or curricula approaches since 1978 reported that State influence was important or somewhat important reason for those changes.

- Over two-fifths (45 percent) of the districts that would like to change features of their Title I program defined State influence as a very important or somewhat important barrier to desired program changes.

Regarding the participation of private school students:

- On average, nonpublic school students spent one-third less time receiving Title I instructions per week than did their public school counterparts.
- The average number of students in Title I classes for nonpublic students was about one-third less than the average number in public Title I classes.
- Title I instructors teaching nonpublic students had, on average, the same number of years of teaching experience as those teaching public school Title I students (approximately 5 years).
- More than 85 percent of Title I districts served nonpublic students at the nonpublic school they attend. Only 2 percent served such students in mobile vans; however; 16 percent of the districts reported serving all or part of the participating nonpublic students in a public school.
- Nonpublic enrollment in the Title I program was highly correlated with overall nonpublic enrollment, adjusting for regional location and degree of urbanization.
- There were significant differences across small, medium, and large districts in the percent of districts with nonpublic students residing in Title I attendance areas and the percent of districts serving nonpublic students.

The Studies of School Finance, required by Title XII, Part A, of Public Law 95-561, was also supported in part by the statute. Funding for those studies amounted to just over a million dollars for 1982-83. Reports to Congress are being prepared.

Senator Proxmire: On page 22 of your justification you state that Chapter 1 evaluation and studies funds will be used to "identify and disseminate information on high quality cost-effective Chapter 1 program." On the other hand your discussion of the National Diffusion Network (NDN) states that NDN "facilitates school improvement by identifying programs that work" and "brings alternatives to the attention of educators thoughout the Nation." Why don't you use NDN funds to disseminate information on high quality Chapter 1 programs?

Answer: NDN is one of the strategies used to disseminate information about effective Chapter 1 practices. These NDN activities will continue. In addition, however, the State educational agencies are important influences on local practices under Title I, and the Department provides for their active involvement in dissemination activities as well.

MIGRANT EDUCATION MONITORING

Senator Proxmire: How do States monitor local agencies to ensure that only eligible participants are enrolled in the migrant education program?

Answer: The States have the responsibility for the administration of the migrant program which includes the recruitment and identification of eligible migratory children. There are three general types of plans for recruitment and identification used by States. The first is where the States take the full responsibility for the recruitment and identification of migrant students. Recruiters are employees of the State and generally report directly to the State migrant director. A second procedure is one in which the State is the responsible administrative unit, but the recruiters are regional and report to an intermediate unit of varying types. The third system locates this task at the local educational level. The recruiters in this system are employees of the LEA and report to local project directors. The State then monitors only the LEA's practices. The Migrant Education Program Office reviews the State plan and provides technical assistance when appropriate.

1983 RESCISSION

Senator Proxmire: Why are you requesting a rescission of $125 million in the grants to local education agencies this year if, as the fiscal 1984 justifications indicate, this program has the highest priority among all elementary and secondary education programs?

Answer: The proposed rescission reflects the need to curtail Federal spending while enabling us to meet with our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged. Under the revised 1983 budget, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by Congress to aid in the transition from using 1970 rather than 1980 census data as the basis for allocating funds. HEP and CAMP would be terminated under the 1983 rescission proposals. Despite the proposed rescission, Chapter 1 remains one of the highest priorities within the agency's budget, accounting for about 22 percent of the total.

CHAPTER 1 EVALUATION

Senator Proxmire: You indicate in your justification that you are requesting additional basic grant money "because of the success of Chapter 1 grants to LEA's." Tell us how you have determined that the grants have been a success?

Answer: Chapter 1 LEA Grants have proven successful in reaching its target population. For example:

- An NIE Title I (the antecedent program to Chapter 1) evaluation study found that there is a high correlation between the number of students from poor backgrounds in a school and that school's receipt of funds. That study indicated that as the proportion of poor students in a school increases, so does the likelihood that it will be a Title I school.

- The Basic Grants program proved effective in providing compensatory services to the lowest achieving students. Of those students receiving Title I services, about 84 percent are below the 50th percentile in achievement status; two-thirds are from poverty or near poverty backgrounds. About 55 percent are white, 35 percent are Black, and the remainder come from predominatly Hispanic backgrounds.

Recent studies also show that while they are in the Chapter 1 program, students make considerable achievement gains during the school year. These gains are greater than those realized by children not participating in the program. For example:

- NIE's Congressionally-mandated study of Title I instruction shows that first and third graders gathered from a sample of 400 classrooms, made substantial gains in reading and mathematics.

- An Office of Education sponsored study carried out by the Educational Testing Service and RMC Research Cooperation showed that a nationally representative sample of children in grades two, four, and six tended to maintain their academic postitions relative to their more advantaged peers and in some cases even "catch up" with non-compensatory students between fall and spring of the school year. Without compensatory assistance disadvantaged students fall further behind.

- Title I students in the Los Angeles Unified School district show specific improvement in reading and math achievement scores. Average percentile ranks in reading increased from the 25th percentile ranks to the 31st percentile in 1976. Average percentile ranks in math increased from 21 to 36 during the same period.

The Sustaining Effects Study on Compensatory Education (1982) confirms many of the earlier successess of the program. Findings from the first six years of that study are highlighted below:

- In 1976, 68 percent of the Nation's public elementary schools were offering Title I programs, including 90 percent of those with half or more of their students from poor families and 84 percent of those with half or more of their students reading a year or more behind their peers.

- Of the approximately 4,967,000 youngsters in grades 1-6 scoring in the bottom quartile of the achievement distribution nationwide, about 1,579,000 or 32 percent were participating in Title I.

- Instructional resources devoted to a Title I child's reading or math program are about 1 and 1/2 times as great as those available to noncompensatory students in those subjects.

- Of the 214 Title I districts in the Sustaining Effects Study, 114 or 53 percent were providing services to non-public school students in 1976-77 with a per pupil Title I expenditure comparable to that for the public school students.

- o Title I students progressed over the course of a school year more than would be expected for them without the program in grades 1-6 in math and 1-3 (but not 4-6) in reading.
- o Title I effects were found to persist over the next summer and school year even after services had ended.
- o Several factors were found to be related to the one-year student gains. These were greater teacher experience, greater amounts of regular instruction, and work with a tutor, lack of disruptions to instruction, frequent feedback on student progress and teacher effort in planning and evaluation.

In addition, a recent study on academic achievement conducted by the National Assessment of Education progress shows that students with poor academic track records made significant gains in reading during the 1970's and held their own in mathematics and science.

Perhaps the most encouraging results of this study are the improvements shown by low achievers who are black. In elementary, junior, and senior high schools, these students increased their mathematics performance. Black elementary and junior high students also improved in reading. Most experts in the field agree that these improvements in academic achievement levels for educationally disadvantaged children have resulted in large part from the success of the Chapter 1 program.

CHAPTER 1 FUNDS FOR HEALTH AND COUNSELING

Senator Proxmire: As you know, local educational agencies (LEAS) use approximately 75 percent of their Chapter 1 funds for instructional purposes. Another 20 percent is spent on items such as the operation and maintenance of physical plants, and 5 percent is used for auxiliary services, such as health and counseling. Has the Department ever audited these last 2 expenditures to determine whether more funds could be utilized solely for for compensatory instruction?

Answer: It is true that approximately 5 percent of the Chapter 1 funds are spent on auxiliary services, including health, food, transportation, parental involvement (community services), and counseling and social work. Of the total expenditures, less than 1 percent is spent on health and approximately 1-1/2 percent is spent on counseling and social work.

Under Title I, the antecedent of the Chapter 1 program, health, nutrition, and social services could only be provided to children who had been selected to participate in a Title I project (primarily instruction in basic skills). The State eductional agency could not approve requests from LEAs for Title I assistance for support services which would or could be funded from another source.

We expect these conditions to remain the same under Chapter 1. Based on annual State program reviews, the Department has found that the funds expended for support services are justified because they enable the children to succeed in the instructional programs.

EFFECTIVE LOW COST PROJECTS

Senator Proxmire: In order to make the best use of limited Federal funds, the Department plans to intensify its efforts to identify and disseminate information on Chapter 1 programs that are low in cost and effective. Has the Department identified any of these cost savings projects in the past two years? Please give a brief description of these projects.

Answer: Listed below are several examples of low cost programs that have been validated as exemplary by the Department's Joint Dissemination Review Panel.

Dilwyn, Virginia (Buckingham County Public Schools)
Project name: Computer Assisted Diagnostic Prescriptive Program in Reading and Mathematics (CADPP)
Cost per pupil: $488 (1981-82 school year)
Description:

- Project is a pull-out program which uses resource labs and computer assistance to diagnose reading and math problems among students and provides teachers with prescriptions to help them in meeting those problems
- Program has been listed by NDN as an exemplary project since 1979

Logan, Utah
Project name: Remedial Reading, Secondary Education
Cost per pupil: $592 (1981-82 school year)
Description:

- Treats problem of reading deficiencies in secondary school students through personalized and concentrated interaction with students
- Makes use of teachers and teacher aides
- Provides instruction on a daily basis
- Provides for adult/student ratio of one-to-one

Columbus, Nebraska
Project name: Administrative Cooperation in Education
Cost per pupil: $570 (1981-82 school year)

Description:

- The project provides Title I services to sparsely populated rural districts which are often too small to furnish all the services needed for an effective compensatory education program
- The project has four basic elements: an administrative model, teacher in service training component, a materials resource center, and a parental involvement program
- These various elements are used by various rural school districts participating on a cooperative basis

- Project has been listed by NDN as an exemplary program since 1978

Des Moines, Iowa
Project name: Title I Compensatory Math Program
Cost per pupil: $570 (1981-82 school year)
Description:

- Project identifies students each year who are in need of remedial mathematics instruction

- Each student receives 30 minutes of daily instruction in small groups (not more than 10 pupils per teacher)

- Emphasis also placed on personal contact between teacher and parents. Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home

Ft. Dodge, Iowa
Project name: Title I Reading Project
Cost per pupil: $439 (1981-82 school year)
Description:

- Project provides individualized instruction for disadvantaged students to enable them to become competent readers

- Language development and comprehension emphasized

- Project has been in existence since 1965

Chester, Pennsylvania
Project name: Reading Achievement Program (RAP)
Cost per pupil: $353 (1981-82 school year)

- Is a pull out program that provides intensive remedial reading instruction to educationally disadvantaged children in grades two through five

- Emphasizes building vocabulary skills and increasing reading comprehension

- Conducts instructional sessions groups (one teacher to six pupils); each session meets daily and lasts 30 minutes

- Has been in operation since 1978

Kensha, Wisconsin
Project name: Academic Improvement Through Language Experience
Cost per pupol: $520 (1981-82 school year)
Description:

- Instruction is tailored to the needs of the individual student and takes place in small groups

- Project serves approximately 1,200 students during the school year and 450 in the summer

- Intensive inservice training and parent participation are essential elements of this program

Yeadon, Pennsylvania
Project name: Professional Reading Instruction with Desirable Effects (Project Pride)
Cost per pupil: $439 (1981-82 school year)
Description:

- Project PRIDE is a pull-out remedial program

- Pupils diagnosed as having reading problems attend daily 25 min-25 minute reading sessions conducted by teachers who specialize in reading instruction

- Classes are small with five or fewer pupils per teacher

- Individualized instruction given for those pupils who have severe reading deficiencies

Winchester, Virginia
Project name: Compensatory Reading and Mathematics Program (CRAM)
Cost per pupil: $342 (1981-82 school year)
Description:

- Project is a pull-out program in which students receive instruction in reading and mathematics

- It serves students in grades one to four in reading and pupils in grades three to four in mathematics

- Project emphasizes reading word recognition and comprehension skills as well as basic mathematics computation skills

- Students meet daily for 30 minutes

- Classes have a pupil-teacher ratio of about five-to-one

Ft. Collins, Colorado
Project name: Project PRIOR: Preschool Improvement of Reading
Cost per pupil: $662 (1981 school year)

Description:

- The project is a pull out program that provides remedial reading services to elementary school students

- The project also offers a preschool program to provide children with education experiences needed for later services in school

- The reading component provides 30 minutes of daily instruction

- Reading instruction emphasizes applications of reading skills rather than isolated drill

Des Moines, Iowa
Project name: Title I Compensatory Reading Program
Cost per pupil: $600 (1981-82 school year)

Description:

- Project identifies students each year who are in need of remedial reading instruction
- Each student receives 30 minutes of daily instruction in small groups (not more than 5 students per teacher)
- Emphasis also placed on personal contact between teacher and parents; Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

JUSTIFICATION OF 1984 BUDGET REQUEST

Senator McClure: How does the Department justify cuts in state programs under ECIA, Chapter 1?

Answer: We have proposed a Chapter 1 budget for fiscal 1984 that is reasonable given the limited resources available to us. The 1984 request recognizes the general need to limit spending at the Federal level yet will enable us to meet our responsibility in providing financial assistance to local and State educational agencies for compensatory educational services.

The $3 billion requested for all of Chapter 1 in 1984 represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within that total Chapter 1 request, we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target populations, we are seeking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion.

In order to increase funding for the LEA program we have proposed reductions in the Chapter 1 State agency programs and State Administration and have requested no funding for HEP and CAMP.

CHAPTER 1 STATE ADMINISTRATION

Senator McClure: The Department proposes a 33 percent cut in State administrative funds at the same time that States are being asked to do more. How is this justified?

Answer: Our primary reason for reducing Chapter 1 State administration is to provide additional funds for the direct services to children. We believe that the requested $22.1 million will be sufficient to enable States to carryout their Chapter 1 administrative duties.

In addition, ECIA and the program regulations contain a number of provisions with regard to program requirements that will make the program less burdensome to administer at the State and local level. For example:

- o Chapter 1 regulations generally do not prescribe specific methods for carrying out various program requirements such as comparability of services, selection of projects areas, needs assessment, and national involvement etc. but will defer to SEA interpretation of what is required provided that it is consistent with the statute and regulations. This will provide SEAs with an opportunity to initiate various cost saving approaches for administering these requirements.

- o In the area of record keeping and data collection the Chapter 1 regulations prescribe only minimal requirements and represents a reduction from the record keeping requirements of the earlier Title I regulations.

STATE AGENCY HANDICAPPED PROGRAM

Senator McClure: The Department purposes a 28 percent cut in state programs for the handicapped, even though the children served are among the most in need of help. How is this justified?

Answer: The services provided under the States Agency program are the same as those available under Part B of the Education of the Handicapped Act, but are more expensive. Morover, about 20 percent of the handicapped children served by Chapter 1 receive those services in local school systems along side handicapped children funded at a much lower Federal contribution per child under the regular handicapped program. The strategy in 1984 is to begin bringing Federal contribution per child under the Chapter 1 in line with that under the Handicapped Act (estimated to be $245 based on the 1984 request), thus removing the funding inequities that exist between the Chapter 1 and the regular handicapped program.

STATE AGENCY MIGRANT PROGRAM

Senator McClure: The Department proposes a 32 percent cut in the migrant edcuaation program under Title I. How is this justified?

Answer: In addition to reflecting a reordering of priorities within the account to shift funds toward the LEA program, our request recognizes the need to focus funds on those students who are truly migratory and who have had their education interrupted during the regular school year as a result of their moving. The decrease in large part is based on savings achieved through proposed changes in program regulations and authorizing legislation. Specifically:

- o A regulatory change is proposed to narrow the definition of a currently migratory child. Under this new definition, a child would have to have his or her education interrupted because of a move before becoming eligible for migrant education services. A number of audits completed by the Inspector tion of a currently migratory child. Estimates from tion of a currently migratory child. Estimates from General's Office have shown that the program serves a significant number of children whose education has not been interrupted by their migrant status.

- A legislative change is proposed to reduce from five years to two years the time a formerly migratory child can be deemed migratory for purposes of being counted by the State in the allocation process or can receive services under the program. A study completed by the Research Triangle Institute shows that about 46 percent of the students participating in the State Agency Migrant program remained in the same district for over one year. In other words, almost half the children who receive services under the program are not actually migratory. Those children who cease to migrate would remain eligible to receive compensatory education services under the enhanced LEA grant program.

Senator McClure: What is the Department's definition of "interruption of education?" If a child, for example, moves from one locality to another over Christmas vacation, will that qualify as interruption of education?

Answer: We simply want to make sure that the education of a Migrant child is indeed disrupted during the school year in order to be considered "currently migratory". A migratory child who otherwise met the eligibility criteria and moved from one school district to another during the Christmas vacation would meet the terms of the proposed definition for "currently migratory child" because his education would have been interrupted. However, a child who migrates at the beginning of the summer from one locality to another and then returns to that same locality at the end of the summer to begin school would not be considered "currently migratory" under the proposed definition.

Senator McClure: Has the Department addressed the fact that migrant children are frequently behind their grade levels and may need special help for a period of time after they do not technically have migrant status?

Answer: Yes, our proposed legislation in which we limited from five to two years the time a formerly migratory child can be considered migratory, provides that such a child would remain eligible for migrant education services for up to two years even though he does not move during that period.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

1983 CHAPTER 1 RESCISSION

Senator Chiles: The Department estimates that in 1984 Chapter 1 grants to States will serve about 5.2 million children with the average Federal contribution of $525 per child. You say that about 318,000 more children will be served in 1984 than in fiscal year 1983. Considering your rescission request of $125 million for fiscal year 1983, how many less children will be served than with the current appropriation level Congress has passed for 1983?

Answer: Roughly 239,000 fewer children would be served under our proposed rescission. This assumes an average Federal contribution of $525 per child. However, the impact of this action is an estimate because the local school district determines how many children will be served with Federal funds.

NUMBER OF CHILDREN SERVED UNDER THE 1984 REQUEST

Senator Chiles: Your "increase" for fiscal year 1984 is really only $42 million above what Congress has provided for 1983 in the current appropriation. Will that really permit even the same number of children to be served as currently, in light of the increases in the cost of education from year to year.

Answer: Assuming an average Federal contribution of $525 per child we estimate that the program would serve roughly 5.2 million children. However, this figure is only an estimate because the local educational agency determines how many children will be served with Federal funds. The actual cost will vary among school districts according to the needs of the participating children and the types of services provided.

1983 AND CHAPTER 1 BUDGET REQUESTS

Senator Chiles: What is the justification for a cut of $125 milion in 1983, then an add-back of $167 million in 1984? Don't fluctuations like that disrupt State and local efforts to plan and provide a steady level of services?

Answer: The proposed 1983 rescission reflects the need to curtail Federal spending while enabling us to meet our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged. Under the revised 1983 budget, Chapter 1 funding would match its 1982 appropriation level, which includes the additional amount appropriated in 1982 by Congress to aid in the transition from using 1970 instead of 1980 census data as the basis for allocating funds. HEP and CAMP would be terminated under the 1983 rescission proposals.

For 1984 the $3 billion requested for Chapter 1 programs represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within the total Chapter 1 request we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target population, we are seeking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion. In order to increase funding for the LEA program we have proposed reductions in the Chapter 1 State agency programs and State administration and have requested no funding for HEP and CAMP.

We do not believe our budget requests will disrupt State and local efforts to provide compensatory educational services. The 1983 rescission would not affect States or LEAs until the 1983-84 school year since the funds do not become available until after July 1, 1983. If the rescission passes, LEAs will have ample time to begin planning how they will use their 1983 funds. Likewise, the 1984 appropriation will not be used until the 1984-85 school year. Both the States and LEAs would have enough time to make any adjustments resulting from the appropriations process to insure continuity in providing compensatory education services.

NUMBER OF CHILDREN ELIGIBLE FOR CHAPTER 1 SERVICES

Senator Chiles: Your justification indicates that at one time we were serving as many as seven million children under Title I, compared to your request for Chapter 1 that would serve from 4.8 to 5.9 million children. Can you provide us any figures on how many children would be eligible for these compensatory education services if we were to provide them for all disadvantaged children who need compensatory education?

Answer: For purposes of allocating LEA funds to the States about 8.7 million children from low-income families were counted nationally in 1982. However, because eligibility for Chapter 1 services at the local level is based on educational disadvantagement, the number of students eligible to receive compensatory services is closer to 11 million children.

Senator Chiles: How are the cuts in Chapter 1 consistent with the math and science initiatives you are proposing? Aren't the recent gains in basic reading and math skills being shown in test scores of disadvantaged children mainly due to compensatory education services, and don't we need to keep up our effort here, if we're going to improve the effectiveness of math and science education in this country?

Answer: Again the proposed 1983 rescission reflects the need to curtail Federal spending while enabling us to meet our responsibility to assist States and local educational agencies in providing compensatory educational services for the disadvantaged.

For 1984 the $3 billion requested for Chapter 1 programs represents a decrease of $20 million from the 1983 revised level and the 1982 appropriation. However, within the total Chapter 1 request we have reordered our priorities and shifted additional funds to the LEA grant program. Because of its success in terms of improving student achievement and in reaching its intended target population, we are seeking an additional $167 million for the LEA program thus bringing the request for that activity up to $2.7 billion. In order to increase funding for the LEA program we have proposed reductions in the Chapter 1 State agency programs and State administration and have requested no funding for HEP and CAMP.

We do not believe that we are short changing compensatory education. Chapter 1 remains one of the highest priorities within the agency accounting for almost 23 percent of its total budget request for 1984. Moreover, remember that Chapter 1 is designed to supplement local educational efforts in providing compensatory educational services not replace it. Our request for this program, which we believe is quite adequate, will complement our efforts to help improve math and science education nationally.

MIGRANT EDUCATION

Senator Chiles: You are proposing that we cut migrant education funding in half and serve 234,000 fewer children with this program. This seems related to the regulations you have proposed to redefine "truly migratory" children as those who move within the school year and whose parents are willing to fill out some forms saying they are migrants. In my State we have some excellent programs to encourage migrant families to make their fall move early enough to enroll their children in school at the beginning of the year so the kids can receive up to nine months of uninterrupted education. Are you really contending, on the basis of this Research Triangle report, that fully half of all migratory children are not really migrants due to when the family makes the move? How does this fit with the estimates by the State agency migrant programs that identify as many as 489,300 children as qualifying for services, more than we are currently serving? I thought historically we had a much greater problem of underidentification of migrant children?

Answer: The Research Triangle Institute's study indicated that approximately 46 percent of the migratory children counted as receiving migrant education services in their sample had remained in the same school district for at least one year. The existing statute allows the program to serve these children and count them as migratory because once a child has migrated he can be considered migratory for five additional years regardless of whether he migrates after that initial move. Thus, such a "formerly migratory child" remains eligible to receive migrant educational services and can be counted by the State for allocations purposes for up to five years even though he does not migrate. The program's count of migrant children reflects this fact.

Our legislation seeks to limit from five to two years the time a formerly migrant child can be considered migratory for eligibility and funding allocation purposes. In this way we hope to focus better limited migrant education resources on those children who are actually migratory.

MIGRANT STUDENT RECORD TRANSFER SYSTEM

Senator Chiles: You are proposing that we fund the Migrant Student Record Transfer System at $1 milllion less than the minimum set by Congress. It's my understanding that MSRTS has been highly effective in providing a continuity of services for these children. If the program is reduced from $6 million to $5 million, how are the tracking services and record transfers going to be affected?

Answer: This is not the case. Although we are proposing to reduce migrant education coordination activities generally in 1984 from $6 million to $5 million, we will continue to fund the Migrant Student Record Transfer System (MSRTS) at $5 million the same as in 1982 and 1983. We would not fund, however, other inter/intra State coordination activities in 1984.

NEGLECTED AND DELINQUENT CHILDREN

Senator Chiles: You are proposing to serve 9,100 fewer children with the 1984 request in the State programs for neglected and delinquent children. How does this proposal relate to the number of neglected and delinquent children in the nation? Do we have fewer neglected and delinquent children nationwide this year?

Answer: Based on an annual survey conducted to determine the average daily attendance of institutionalized children who are eligible to participate in Chapter 1 program, there are approximately 50,000 children. This number remains relatively constant from year to year. Approximately 76 percent of the eligible children could be served by the 1984 budget request assuming a constant per cost.

Senator Chiles: I note you are requesting funds for the High School Equivalency Program and College Assistance Migrant Program be zeroed out. You indicate this is justified because programs like TRIO serve the same purpose. It's my experience that just because a program could serve an identical group or purpose it doesn't mean it will unless there's some encouragement in that direction. What are you plans for insuring that program like TRIO pick up needs of promising migrant students for postsecondary education?

Answer: The primary reason for phasing out these two programs is because they are very expensive for the number of students served and the number of postsecondary institutions that participate. In 1982, the High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP) together serve only 2,776 students at 22 colleges and universities. The cost to the Federal government was over $2,500 per student.

We believe that other programs such as TRIO can provide similar services as CAMP at less cost. Under the new TRIO proposal for 1984 the Department is proposing to continue funding for the type of activites currently supported under Special Services (the TRIO program most resembling CAMP). However, the proposal would focus on serving students attending institutions with significant numbers of students from economically disadvantaged backgrounds. We believe this added focus will help us to assure that many of the Migrant students served by CAMP will have a chance to participate in the TRIO programs.

Senator Chiles: If TRIO's supposed to pick up the slack for migrant students, why are you proposing deep cuts in the TRIO programs?

Answer: The Administration propose to focus funding for the TRIO program on those institutions with a high percentage of financially disadvantaged students. Under proposed changes in the law, the Special Services activities under TRIO will continue to provide remediation, academic counseling, and tutoring services. However, the universe of eligible institutions will be limited to those with at least 50 percent of their financial aid recipients from families with less than $12,000.

SPECIAL PROGRAMS AND POPULATIONS

PREPARED STATEMENT

Senator WEICKER. The next activity is special programs and populations. Mr. Davenport continues to testify. Mr. Bauer continues to testify.

And will you introduce your new colleague, Mr. Davenport?

Mr. DAVENPORT. Yes.

Monika Harrison of my staff has joined us at the table, Senator.

Senator WEICKER. Proceed.

Your statement in its entirety will be included in the record at this point.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

We appreciate this opportunity to appear before you to discuss the appropriations for special programs and populations. We are requesting $529 million for fiscal year 1984. The request includes $451 million for State block grants, $28 million for the Secretary's discretionary funds, and $50 million for a new program to alleviate the shortage of science and mathematics teachers.

The President has also proposed the rescission of $56 million from the fiscal year 1983 appropriation of $534 million for several of the programs in this account.

STATE BLOCK GRANTS

For State block grants we're requesting $451 million, the same as the 1983 appropriation.

Chapter 2 of the Education Consolidation and Improvement Act merged 42 Federal categorical programs into one program of block grants to the States. While it is too soon to assess the actual impact of chapter 2, we have preliminary indications that States have made a smooth transition from categorical programs to the block grant and are having few problems implementing the new program.

Chapter 2 funds are distributed according to the number of children aged 5 to 17 in each State. A State may reserve up to 20 percent of its grant for activities at the State level; it must then distribute at least 80 percent among its local school districts. The within-State distribution is also based on school age population; however, each State devises criteria to give additional weight for children whose education is generally more costly.

The block grant permits school officials to design programs in accordance with State and local needs, rather than in response to federally-imposed priorities. In addition, the programs are carried out with a minimum of administrative requirements and paperwork, thereby freeing educators to concentrate on the education of children.

This program continues to be a high administration priority and is an essential element in the President's strategy for reducing burdensome requirements and returning education decisionmaking to the States. At the requested funding level, States can plan to continue programs at about the same level as in 1983, a slight increase over the 1982 level.

SECRETARY'S DISCRETIONARY FUNDS

Chapter 2 also authorizes a set-aside of funds for Federal-level programs that complement State and local efforts to improve elementary and secondary education. Authorized activities include gathering and disseminating information on program effectiveness; assessing the needs of educationally deprived children; conducting research and demonstration; training educational personnel; and providing assistance to States.

For fiscal year 1984, we are requesting $28 million for the Secretary's discretionary funds, the same level as in 1982. These funds will support three programs that are mandated by the legislation—inexpensive book distribution, arts in education, and alcohol and drug abuse education. They will also provide suport for a limited number of discretionary programs, including the national diffusion network, evaluation and studies of chapter 2, projects in the areas of technology and effective schools, and other special initiatives.

INEXPENSIVE BOOK DISTRIBUTION

With the funds requested, we will continue the inexpensive book distribution activities at about the same level as in 1983. One award will be made to Reading is Fundamental, Inc., which will redistribute funds to about 3,000 local groups such as Parent-Teacher Associations, Boy and Girl Scout Clubs, and local community associations. In 1984, we expect thse groups to distribute about 7.4 million books to almost 2½ million children. More than 100,000 volunteers will participate.

ARTS IN EDUCATION

For arts in education, the request will continue support for two programs of national significance. One award supports activities of the National Committee on Arts for the Handicapped. The other supports educational programs at the John F. Kennedy Center for the Performing Arts.

ALCOHOL AND DRUG ABUSE EDUCATION

The third mandated program, alcohol and drug abuse education, will also be continued in 1984. The President considers this program to be an integral part of his comprehensive national strategy for the prevention of drug abuse. In 1984, we will continue to support five regional centers that provide training and on-site technical aassistance to school officials and parents. We expect these centers to train approximately 120 school district teams which, in turn, will train more than 8,000 school personnel at the local level.

OTHER DISCRETIONARY PROJECTS

Discretionary funds provide limited but essential support for other special projects at the elementary and secondary education level that address national, rather than State or local, concerns.

One major activity is the national diffusion network (NDN). In fiscal year 1984, approximately $9.7 million will be used to continue the dissemination of locally developed, exemplary educational programs. The majority of the projects in 1984 will be in the areas of technology, mathematics, science, and the language arts. An estimated 11,000 schools will adopt NDN programs during the year and approximately 70,000 teachers will be trained. A technical assistance contractor will continue to search for exemplary programs in critical academic areas so that they may become available nationwide for use by schools.

The remaining funds will be used for evaluation and studies of chapter 2; for activities involving the use of technology to improve teaching and learning; for recognition and study of effective schools; and for follow-up activities that address findings of the National Commission on Excellence in Education.

SCIENCE AND MATHEMATICS EDUCATION

The fiscal year 1984 request also includes $50 million under proposed legislation to provide grants to the States for scholarships to train new science and mathematics teachers at the secondary school level. This assistance concentrates on what we believe is one of the most critical problems in science and mathematics education—the growing shortage of qualified teachers in grades 9 through 12.

FISCAL YEAR 1983 RESCISSIONS

The President is also requesting a rescission of $56.6 million from the fiscal year 1983 appropriations for women's educational equity, follow through, training and advisory services, general aid to the Virgin Islands, territorial teacher training, Ellender fellowships, and the Secretary's discretionary funds.

This rescission is being proposed as part of the President's program to eliminate unnecessary Government spending and to support programs that allow States greater flexibility in determining educational priorities. Funding for these categorical programs has been provided for a number of years and States and local school districts should now have the capacity to continue them on their own if they wish. Under the broad authority in chapter 2, most of the activities authorized by the categorical programs can be supported with block grant funds, so Federal funding remains available at the discretion of States and local school districts.

My colleagues and I will be happy to respond to any questions you may have.

BUDGET REQUEST

Senator WEICKER. You go ahead and either synopsize or do it any way you deem fit.

Mr. DAVENPORT. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, we appreciate this opportunity to appear before you to discuss the appropriations for special programs and populations. We're requesting $529 million for fiscal year 1984. The request is $451 million for State block grants, $28 million for the Secretary's discretionary funds, and $50 million for a new program to alleviate the shortage of science and mathematics teachers.

The President has also proposed the rescission of $56 million from the fiscal year 1983 appropriation of $534 million for several of the programs in this account.

I will briefly outline for you the funding and rescission levels requested for each of these programs.

For State block grants we're requesting $451 million, the same as the 1983 appropriation.

Chapter 2 of the Education Consolidation and Improvement Act merged 42 Federal categorical programs into one program of block grants to the States. The block grant permits school officials to design programs in accordance with State and local needs rather than in response to federally-imposed priorities.

In addition, the programs are carried out with a minimum of administrative requirements and paperwork, thereby freeing educators to concentrate on the education of children.

This program continues to be a high administration priority and is an essential element in the President's strategy for reducing burdensome requirements and returning education decisionmaking to the States.

We are requesting $451 million for the State block grant program. Under this funding level, States can plan to continue programs at about the same level as in 1983, a slight increase over the 1982 level.

Chapter 2 also authorizes a set-aside of funds for Federal-level programs that complement State and local efforts to improve elementary and secondary education.

For fiscal year 1984, we are requesting $28 million for the Secretary's discretionary funds, the same level as in 1982. These funds will support three programs that are mandated by legislation: Inexpensive book distribution, arts in education, and alcohol and drug abuse education.

They will also provide support for a limited number of special projects that address national rather than State and local concerns. These include the national diffusion network, evaluation and studies of chapter 2, projects in the area of technology and effective schools, and other special initiatives.

The national diffusion network disseminates locally developed exemplary educational programs. The majority of these projects in 1984 will be in the areas of technology, math, science, and the language arts. An estimated 11,000 schools will adopt NDN programs during the year, and approximately 70,000 teachers will be trained.

The fiscal year 1984 request also includes $50 million under proposed legislation to provide grants to States for scholarships to train new science and math teachers at the secondary school level. This assistance concentrates on what we believe is one of the most critical problems in science and math education, the growing shortage of qualified teachers in grades 9 through 12.

The President also is requesting a rescission of $56.6 million from the fiscal year 1983 appropriations for women's educational equity, follow through, training and advisory services, general aid to the Virgin Islands, territorial teacher training, Ellender fellowships, and the Secretary's discretionary funds.

This rescission is being proposed as part of the President's program to eliminate unnecessary Government spending, and to support programs that allow States greater flexibility in determining educational priorities.

Funding for these categorical programs has been provided for a number of years, and States and local school districts should now have the capacity to continue them on their own if they wish. Under the broad authority in chapter 2, most of the activities authorized by the categorical programs can be supported with block grant funds, so Federal funding remains available at the discretion of States and local school districts.

My colleagues and I will be happy to respond to any of your questions.

CHAPTER 2 BLOCK GRANT

Senator WEICKER. You have a sentence here that chapter 2 elementary and secondary education block grants are in operation. What assurance does the Department have that funds under the chapter 2 block grants will be used for legislatively authorized activities?

Mr. DAVENPORT. We have been reviewing what the States said they were going to do, in light of what they now tell us they have been doing. For example, Mr. Chairman, 13 percent has been used by States for administration even though the authorized level would allow them to use as much as 20 percent.

I'm also pleased to say they are using less for administration under this program than they did under the former categorical programs.

There are various studies that are underway. I think GAO has a study and we're looking at it internally. The IG is putting together another audit compliance supplement. We are publishing nonregulatory guidance. We have given a small grant to one State to bring together several other States so they can talk to each other about what they're doing and how they can better evaluate what they're doing.

We have received from them the factors that they consider in making their decisions and how the decisions were being made. We think the States as a whole are doing an excellent job.

DISTRIBUTION OF FUNDS

Senator WEICKER. To what extent are funds simply distributed on a per capita student basis without regard to such factors as high cost areas, that is, the inner city schools?

Ms. HARRISON. That's not happening at all. The statute requires that all formulas include an adjustment for high-cost children, and all of the State formulas have included an adjustment. They vary from State to State of course, depending upon the population in that State and their perceived needs. But none of them are just on the basis of the school-aged population.

PURCHASE OF INSTRUCTIONAL MATERIALS

Senator WEICKER. It has been reported that to a great extent the block grant funds are being spent primarily for instructional materials. What evidence does the Department have to substantiate or refute that claim?

Ms. HARRISON. We have a sample of State responses. We had 17 States from which we aggregated figures.

We had evidence that would suggest that, yes, they are using a large portion of their money at the local educational agency level for the broad category of library, media materials, textbooks, and instructional equipment.

The point that we want to make is that it is not all computers or software or textbooks. It's a very wide variety of things, all of which falls into the broad category of instructional activity.

So yes, they are using a significant amount of their funds for that.

NEW FEDERALISM PROPOSAL

Senator WEICKER. The elementary and secondary education block grants, which the administration supported, have barely had a chance to work, and now the administration is proposing that it be subsumed under the major block grant proposals of the New Federalism program.

Are you just verifying the views of those critics who claim the establishment of block grants was a step toward removing the Federal element from education altogether?

Mr. **Davenport**. No; I don't think that it's accurate to say that this is an effort to reduce the Federal role in education by some sort of devious method or that we're keeping the Federal element from education altogether. I wouldn't accept that this proposal would lead to that.

Senator **Weicker**. Senator Inouye?

Senator **Inouye**. Just a few questions.

SCIENCE AND MATHEMATICS EDUCATION

On science and mathematics education, it seems that everywhere I turn I come across articles suggesting that the next business battlefield will be in high technology, and that at this time we're losing the battle. And I presume this is your response to that.

How many scholarships would you provide with $50 million throughout the United States?

Ms. **Harrison**. About 10,000, figuring $5,000 per grant.

Senator **Inouye**. So that would mean for the State of Hawaii something like 30.

Mr. **Bauer**. I don't have a State-by-State breakdown.

Ms. **Harrison**. The money would go to the States on the basis of their population of secondary school children, and then they would——

Senator **Inouye**. These are scholarships granted to schoolteachers or to college students?

Mr. **Bauer**. It would be scholarships granted to whomever the State wanted to give them to in order to train those individuals to become math and science teachers.

The other part of the administration's initiative lies with the National Science Foundation, where there's a grant proposal to upgrade skills of current math and science teachers, as well as to provide awards to exceptional teachers, as an added impetus to the kind of work that they're doing.

Senator **Inouye**. This is described as one of the most critical problems. Do you believe that this amount would make any impact on the critical problem?

Mr. **Davenport**. I think it would supplement what various local LEA's and States have already begun to do to begin to meet the shortage. There are examples of LEA's paying additional funds to people who are teaching science and math; they are also helping teachers in areas where there is currently a surplus to go back for retraining. I think it will complement what the State of Florida is doing in their program, and others. I would be pleased to submit for the record some example of what they're doing at the local level that I think will be supplemented by these funds.

GENERAL AID TO THE VIRGIN ISLANDS

Senator **Inouye**. Since no one is here to speak for the Virgin Islands or the territories, what is the general aid to the Virgin Islands?

Mr. **Bauer**. In 1981, the combined territories received a total of $3.9 million under the programs that were consolidated the next year into the chapter 2 block grant program. In 1983 under the block grant, the territories will receive $4.8 million, 23 percent more than under the antecedent programs.

Although we are proposing to terminate these two categorical programs, the territories can still use Federal funds to support the same kinds of activities in their block grants.

Ms. HARRISON. Well, under the antecedent program moneys have been used for different purposes in different years, depending on what the Virgin Islands felt was important.

In 1982 we understand that they were planning to use their moneys for construction of classrooms at a Curriculum Center, and that would not be something that they would do every year. But in addition they will use it for remedial education and educational research, and library services, the more traditional use of the funds.

The point that we would make is that first of all, they do benefit under the block grant, as do all of the other territories. They receive these moneys.

Now in addition to that they can use those block grant moneys for this, and we think that it's a duplicative effort. We proposed that this be rescinded last year and proposed that it be included in a block grant for the very same purpose.

TERRITORIAL ASSISTANCE

Senator INOUYE. In other words if the government of Guam had a teacher training program 2 years ago, under the block grant they could still continue that?

Ms. HARRISON. That's right.

Senator INOUYE. And it is your contention that the appropriation, instead of being reduced, has been increased?

Mr. DAVENPORT. Yes, sir. Under the 1983 block grant, the territories will receive about $4,794,000, 46 percent more than under the antecedent programs.

Ms. HARRISON. Currently I think the question is—is there an increase in that particular categorical program? And the answer to that is "No." But if you take that program and compare it with what they are getting under their block grant allocation, they're getting more under their block grant allocation alone than they got under the categorical program.

Senator INOUYE. What were they getting in block grants before?

Mr. DAVENPORT. In 1981, $3,219,000——

Ms. HARRISON. That's under the antecedent.

Mr. DAVENPORT. Oh, that's under the antecedent.

Ms. HARRISON. $1.920 million is the amount that is here under the categorical program for general aid to the Virgin Islands. They also get a portion of that $4.8 million that goes to the territories as a result of the 1-percent set-aside from the overall block grant appropriation.

As a matter of fact the statute says up to 1 percent of the total block grant program must be reserved for the territories.

This is $1.920 million as compared to a portion of the $4.920 million. I don't think that we know exactly how much was given to each of the territories. We could get that for you for the record.

[The information follows:]

DISTRIBUTION OF BLOCK GRANT FUNDS TO TERRITORIES

	Antecendent programs 1981 (Actual)	Block grant		
		1982 (Actual)	1983 (Estimate)	1984 (Estimate)
American Samoa	$420,997	$427,885	$436,089	$435,597
Guam	907,243	1,210,513	1,233,725	1,232,333
Northern Marianas	234,679	214,951	219,073	218,825
Trust Territory of the Pacific	813,545	1,621,111	1,652,196	1,650,332
Virgin Islands	915,918	1,229,540	1,253,117	1,251,703
Total	3,292,382	4,704,000	4,794,200	4,788,790

AUTHORIZING JURISDICTION

Senator INOUYE. Mr. Chairman, obviously I know very little about these accounts. May I ask your permission to confer with representatives of various territories and invite them to submit through me questions?

Senator WEICKER. I couldn't agree more. I think that as you know, starting with this session of Congress, the authorizing jurisdiction over all the U.S. territories and dependencies was placed in my Subcommittee on Energy Conservation. And I am delighted that you will go ahead then and follow through on the appropriations side, so I can't be accused of being partial in this matter.

Why don't you get the responses of the various governors——

Senator INOUYE. I'll invite the governors to submit through me questions and concerns.

Senator WEICKER. I would very much appreciate that. And in the meantime, we'll take a look at it from the authorizing point of view because it seems—you know, we see these big budgets here, $1.9 million, but that's everything to those economies and for those infrastructures.

So I would really appreciate it, Senator, if you'd do just that because I don't know about these accounts at all.

Senator INOUYE. Mr. Secretary, I'm sure you'll appreciate my position. I'm from the Pacific and we've got many other islanders out there, and they don't have proper representation. And we oftentimes feel obligated that we should get involved. I'll be calling on the Virgin Islands, the Puerto Ricans, the Guamanians.

Do you also cover the Northern Marianas, too?

Mr. DAVENPORT. Yes, sir.

Senator INOUYE. Samoa?

Mr. DAVENPORT. Samoa.

I haven't been invited there yet. [Laughter.]

Senator WEICKER. Thank you very much.

[CLERK'S NOTE.—The information supplied by the governors is contained in the subcommittee's files.]

ASBESTOS IN THE SCHOOLS

The Environmental Protection Agency requires that all schools be assessed for asbestos by June 1 of this year. How widespread is the existence of asbestos in the schools, and to what extent is it a health hazard, and in your estimation, how much of a cost nationwide to rid the school facilities of asbestos?

Ms. HARRISON. We don't have any figures on what it would cost nationwide. As you know, we have never had a funded program in the Department for asbestos. There was an authorization. There was never an appropriation. And while at one time we promulgated regulations, because there was never an appropriation, there was never an ongoing need for us to assess the nationwide cost.

We did have and we continue to have schools writing to us saying, "We have an asbestos problem, can you help us?" And our response is, "No." I know that EPA has been doing some things. We were involved in a task force with them.

We do not have a figure nationwide.

Senator WEICKER. Well, is this money going to be taken from education moneys, and if so, to what extent?

Ms. HARRISON. We are not requiring that they take any of their money for asbestos.

Senator WEICKER. Well, maybe they're required by the condition.

Mr. DAVENPORT. Well, the block grant funds cannot be used.

Ms. HARRISON. No; I don't know. It's not an activity that's included. Everyone says that chapter 2 is so broad you can do almost anything, but it must be within the broad purposes of the act, and the purposes of the antecedent programs. That is not in the chapter 2 program.

Senator WEICKER. But the law requires that all schools be assessed by June 1.

Mr. DAVENPORT. We understand that——

Senator WEICKER. We're getting the same inquiries that you're getting. And if something is to be done it is obviously going to cost money. And I don't think there is anybody living in this country today that isn't aware that this is a serious health hazard.

Now what are we going to do about it?

Ms. HARRISON. The question would be whether the program should be housed in the Department of Education and in elementary and secondary——

Senator WEICKER. Good. We'll all sit and debate that one while the kids die. That's fine. EPA came forth with its requirement. We're talking about schools. We're talking about school children, et cetera. Where are we going to get the money?

Mr. BAUER. My understanding is that EPA——

Senator WEICKER. I realize this interferes with the budget process, and I'm sorry it came up. It did. Now what are we going to do about it?

Mr. BAUER. First of all, we understand that EPA has found that something like 13 percent of the schools are affected in some way. To what extent it's a major problem in any portion of that 13 percent of the schools, we don't know.

I think there can be debate on whether it is a legitimate Federal role to deal with the problem or not.

Senator WEICKER. The Federal Government has already dealt with it.

Mr. BAUER. Well, not from a funding——

Senator WEICKER. They have required—the Federal Government has required through the Environmental Protection Agency, that all schools be assessed for asbestos by June 1, 1983.

Mr. BAUER. I meant in reference to the funding for taking care of the problem, Mr. Chairman.

Senator INOUYE. If I may inquire?

Senator WEICKER. Yes.

Senator INOUYE. Who is to assess the problem?

Mr. DAVENPORT. The local school districts.

Senator INOUYE. And they will submit it to what agency?

Mr. DAVENPORT. EPA.

Ms. HARRISON. EPA.

Senator INOUYE. So that you're not in the assessment area?

Mr. DAVENPORT. No.

Senator INOUYE. Then the question arises as to what they can—where they can get their money to correct the problem.

Mr. BAUER. Well, I think one can make an argument that to the extent they have a serious problem, LEA's will weigh the seriousness of that problem against other priorities that they have in the LEA, and make necessary budget decisions.

I would assume that the safety of the children would be one thing that would require the highest priority in their limited dollars, just as we have the same kinds of decisions to make with our limited dollars.

Senator WEICKER. So it may be that we're going to have to add funds if indeed there is a substantial portion of moneys that are going to be devoted to this. I'm talking now about the block grants.

Mr. BAUER. Add funds to the block grants?

Mr. DAVENPORT. The block grant? I don't believe that would be an authorized activity under the block grants.

Ms. HARRISON. It's never been funded.

Mr. BAUER. It's never been funded.

Senator WEICKER. What hasn't been funded?

Ms. HARRISON. The authorized program. There is an authorized program within the Department of Education——

Senator WEICKER. Within the Department?

Mr. BAUER. Yes.

Senator WEICKER. Within the Department of Education?

Mr. DAVENPORT. Yes, sir.

Senator WEICKER. And it's not been funded?

Mr. BAUER. Congress has never funded it.

Senator WEICKER. Have you made a request for funding?

Mr. BAUER. No, sir.

Senator WEICKER. Well, why don't you try it?

I don't mean to joke about it. You know, there's a problem here. This is the time when we're going to resolve this budget, and I would appreciate it if there would be a response by somebody in the Department of Education, by the Secretary's office, to the matter that has been propounded here this morning. And we'd better find out what is going to happen.

Clearly, we're receiving inquiries. You say you're receiving inquiries. And clearly there's a problem; otherwise EPA wouldn't have issued its directive.

Now all that's been done. What we're going to end up with, is an assessment that says that 13 or 14 or 15 percent of the schools have a serious problem, and then we're all going to say, "That's it," and go home.

Not this Senator. I'm not getting hung with that, not in the out-years here as there's a manifestation of problems arising from that assessment. The purpose of governing is to anticipate, not to go ahead and just react when it hits the fan, and that's exactly what's going to happen, only in a matter of years if not in a matter of months.

So I would appreciate a response from the Secretary's office on the point.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I have further questions which again will be submitted for response to the record in this category.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CIVIL RIGHTS

Question: Does the Administration's request to terminate the $24 million for the Training and Advisory Services program of the Civil Rights Act, and the recent repeal of the Emergency School Aid Act mean that the Administration sees no Federal role in assisting those specific school districts that either have been ordered by Federal courts to desegregate their schools or have voluntarily undertaken to do do?

Answer: Under Title IV, Training and Advisory Services, more than $300 million has been spent to develop model programs and build capacity for civil rights training at the State level. The Emergency School Aid provided school districts with a total of $1.2 billion in funds for activities most important in the first few years of implementing desegregation. Many school districts were funded for more than 10 years to conduct "implementation" activities. We believe it is now appropriate for States and local school districts to assume responsibility in this area. Technical assistance to help resolve desegregation problems will still be available at the Federal level from the Department's Office for Civil Rights.

Question: Given that the repeal of the Emergency School Aid Act has been characterized by some critics as a threat to successful urban school desegregation plans, do you believe there is any advantage in continuing funding for the Training and Advisory Services program so that some Federal funds can be targeted to specific school districts with immediate desegregation-related needs?

Answer: Local school districts have not been direct grantees under the Title IV, Training and Advisory Services program since fiscal year 1981. Since that time, they have been receiving assistance from desegregation assistance centers and SEAs. The Emergency School Aid programs were fully incorporated into the Chapter 2 of the Education Consolidation and Improvement Act of 1981. States and local school districts may use their Chapter 2 block grant funds for any of the activities formerly authorized by the Emergency School Aid Act.

RESCISSION PROPOSALS

Question: The FY 1983 Continuing Resolution provides $534.5 million for Special Programs and Populations, including several categorical programs such as Women's Educational Equity, Follow Through, Training and Advisory Services, and Territorial Assistance. You are now proposing a rescission of $56.6 million and no funding in FY 1984 for these categorical programs. The budget justification indicates that each of these activities can be funded under the Chapter 2 block grant. However, I note that the block grant request of $450.7 million is the same as the FY '83 appropriated level.

Since no additional funds are included in the block grant request for FY '84, isn't your position hypocritical?

Answer: Not at all. The amount of funding in the block grant is sufficient if States and local school districts wish to continue any of the activities formerly authorized by these categorical programs. Further, we believe that these programs have fulfilled their missions. Over the years millions of dollars have been devoted: (1) to developing model programs and materials that are available to any school district wishing to use them and (2) to developing the capacity of States for carrying on the goals of these programs, without the need of further assistance from a Federal categorical program.

ALCOHOL AND DRUG ABUSE EDUCATION

Question: One of the three programs earmarked in the Secretary's Discretionary fund of the block grant is the Alcohol and Drug Abuse Education program.

How many projects has the Department supported in the area of alcohol and drug abuse education?

Answer: The Alcohol and Drug Abuse Education Program (ADAEP) has established teams of school/community personnel supported with training and follow up assistance in every State and territory. Now in its tenth year, the Program has trained 4,500 teams throughout the country.

In 1982, 120 school teams were trained and 475 schools received technical assistance, as did most of the 50 State education agencies.

After their regional training, local school teams trained many additional teams in other schools as well as parent teams in their local communities. Simultaneously, the national network, consisting of the 475 local projects and State agencies, disseminated successful exemplary projects to other interested school districts.

Question: To what extent are parents involved in these programs?

Answer: The causes of drug and alcohol abuse and disruptive behavior have multiple roots in the community, family, and school. It is important that parents and schools work cooperatively rather than as antagonists, each blaming the other for the problem and lack of solutions.

For this reason, the ADAEP program encourages extensive involvement of parents. In the last year alone, the 120 school teams that were trained at the regional centers returned to train additional groups, including 60 parent teams. In just one six-month period these parents contributed almost 21,000 hours of volunteer time to their local alcohol and drug abuse program.

Question: Is the incidence of alcohol and drug abuse among teenagers on the increase or decrease?

Answer: According to a survey conducted by the University of Michigan Institute for Social Research, American young people are gradually moderating their use of illicit drugs. Between 1981 and 1982, nearly all classes of illicit drugs show decline in current use, the most appreciable drops occurring in 1982 for marijuana, cocaine, stimulants and sedatives. Tranquilizer and hallucinogen use showed more modest declines. Despite this generally good news about the direction in which things have been moving, drug abuse is still a problem among American youths. For example, a 1982 research survey found that roughly two-thirds of all American young people try an illicit drug before they finish high school.

Question: How effective is this program in discouraging substance abuse?

Answer: The Alcohol and Drug Abuse Education Program has developed an effective strategy for working with local schools to reduce alcohol and drug abuse and other disruptive behavior. Several studies have indicated that the school team approach can have comprehensive results in local schools. In addition, we have received case studies and abstracts of local programs from school programs across the country. These descriptions have documented changes in behavior in schools, communities, and school systems, including the reduction of alcohol and drug abuse, vandalism, referrals to the principal's office, and suspensions. From these, the program has identified exemplary programs currently being disseminated.

Between January and June 1982, approximately 83,150 volunteer hours were mobilized in local communities by the local school teams, of which 20,525 hours were contributed by parents. Also during the six-month period, the school teams generated $1,400,000 in support from other private and public funding sources.

A study currently underway will assess the impact of the program on reducing alcohol and drug abuse and its accompanying disruptive behavior.

Question: Is this program a high enough priority to be kept as a separate earmark in the Secretary's discretionary fund?

Answer: The Alcohol and Drug Abuse Education program would be a high Departmental priority even if the funds were not legislatively earmarked in the Secretary's discretionary fund. It is both a needed and an effective program that is an integral part of the President's drug abuse strategy and is consistent with the goals of the White House Commission on Alcohol and Drug Abuse.

Generally, however, we believe that the Secretary should have as much flexibility as possible in administering his discretionary funds. Therefore, while we are committed to the Alcohol and Drug Abuse program, we are opposed to statutorily mandated funding levels for any activity in the discretionary fund, since such earmarks result in limiting that flexibility.

INEXPENSIVE BOOK DISTRIBUTION

Question: What program evaluation information does the Secretary of Education have available concerning the inexpensive book distribution program, also known as "Reading is FUNdamental"?

Answer: In 1980, the Department of Education funded an evaluation of the Inexpensive Book Distribution Program. This study pointed up the difficulty of determining whether giving children free books will, in and of itself, cause them to read more or become better readers. However, reports from individual project sites indicate that the program does have a positive effect. For example, the RIF program in South Strafford, Vermont, sponsored a school-wide Reading Olympics that capitalized on the children's interest in sports. For two weeks, everyone in the school kept track of the number of pages they either read by themselves or had read to them. At the end of the Olympics, awards were given to teams and individuals who had read the most number of pages. School officials reported that during this activity: children who were reading below grade level participated actively; many children frequently discussed among themselves the books they were reading; and there was increased use of the library.

Question: To what extent is the Federal appropriation supplemented by non-Federal contributions?

Answer: The appropriation for the Inexpensive Book Distribution program provides approximately 93 percent of support for Reading Is Fundamental, Inc. (RIF). RIF allocates funds to local community projects which then distribute the books. At the local level, Federal funds support up to 75 percent of the cost of book purchases.

STATE PORTION OF BLOCK GRANT

Question: By law, States may retain twenty percent of funds appropriated under the block grant for administration and other State activities, but must pass through at least eighty percent to the school districts.

Can you tell us the average amount that is being retained by the States?

Answer: In 1982, the States retained an average of 19 percent of their block grant allocations for activities at the State level. Only 13 percent of this set-aside (or 2.5 percent of the total block grant funds) went for administration. The rest was used for educational purposes spelled out in Subchapters A, B, and C of Chapter 2.

Question: Do you believe that amount is too high, and would you recommend that Congress reduce the maximum percentage that States may retain?

Answer: The 20 percent maximum appears to be reasonable, particularly since the decision on the amount to be retained is subject to the advice of the State Advisory Council and public comment. Since the block grant program is just in its first year, we believe it would be premature for us to recommend this type of statutory change to Congress.

BLOCK GRANT ADMINISTRATION

Question: What percent of the funds are being used for administration at the State level? At the local level?

Answer: Of the total $437 million allocated to State educational agencies, States report that they are spending about 2.5 percent for administration at the State level. We do not know what percentage local school districts are using for administration, since this information is not included in the plan States submit to the Department.

STATE BLOCK GRANT ACTIVITIES

Question: What State activities are being supported with the State set-aside?

Answer: Of the $83 million reserved for State use, States planned to use approximately 13 percent or $10.2 million for administration of the program; 7 percent or $6 million for Subchapter A, basic skills development; 74 percent or $61 million for Subchapter B, educational improvement and support activities; and 6 percent or $5 million for Subchapter C, special projects. The largest expenditure, $43 million, will be made under Subchapter B to improve State functions in planning, management, and implementation of educational programs (approximately the same as the funding level of the former categorical grants to States for management improvement.)

Activities in decreasing order of proportion of the reserved funds they represent are:

	Number of States	Percent of Reserved Funds
Improve State planning, management, implementation of education programs	All	52
Administer Chapter 2	All	13
Improve local educational practices	20	11
State research, training, instructional materials, technical assistance	27	7
Desegregation-related activities	8	4

Nationally, the four largest single activities are:

- $1.9 million in California for State research, training and technical assistance;
- $1.7 million in New York for improving local educational practices;
- $1.7 million in Texas to facilitate desegregation; and
- $1.6 million in Illinois for improving local practices.

Question: Is the total amount States are keeping more, less, or about the same as under the pre-block grant categorical programs?

Answer: From the information included in the States' Chapter 2 application, it appears that States are reserving about the same amount of funds as they received under the pre-block categorical programs. However, according to State applications, States are using less to administer Chapter 2 than they did under the antecedent programs — 5 percent for the antecedent programs, 2.5 percent for Chapter 2.

BLOCK GRANT REPORTING

Question: What types of statistical and program evaluation reports will the Department of Education be providing concerning the State and local educational agencies use of funds for the elementary and secondary education block grants authorized by

Chapter 2 of the Education Consolidation and Improvement Act of 1981?

Answer: The Department has several current and proposed activities designed to supply data and information regarding the block grant program. The nine State case studies on block grant implementation and effects will be continued during FY 1983 with emphasis on selected local school districts.

The Educational Analysis Center will examine two areas -- funding patterns in selected LEAs and administrative burden under Chapter 2 compared to the antecedent programs. Data from these two tasks will be available this summer.

Under Section 406A of the General Education Provisions Act, we are asking States to report the amounts of Chapter 2 funds going to each of their local educational agencies. This information is due in the summer of 1983.

In the fall of 1983, the Department will begin a multi-year, national study to assess effects of the block grant, primarily at the local level. We will collect information on the types of activities carried out, the types of student subgroups served, and, where warranted by the scope of activity, the educational effects of such activities. Data will be collected during the 1984-85 school year, with a final report available the following year.

Finally, the Department has joined with States in two cooperative efforts. States are submitting, on a voluntary basis, information already compiled on planned Chapter 2 activities at the local level. More than thirty States have responded and, in return, we will prepare a summary report for the States. The Department also provided financial and technical support for a Colorado-sponsored meeting of ten States to consider the development of uniform data elements that could become a national information base on the Chapter 2 progam.

MATH AND SCIENCE

Question: By more than a 3 to 1 margin the House defeated a measure proposed by the Administration to establish a $50 million block grant to train science and math teachers. Instead, it approved a bill providing $250 million directly to the States for curriculum development in this area.

If this legislation is enacted, do you intend to request funding?

Answer: H.R. 1310 is not only a very expensive piece of legislation (authorized at $425 million in fiscal year 1984), it is also more complex than many of the science/math bills which are currently being considered in the Senate. If a bill is ultimately adopted by both bodies, it is likely to be quite different than H.R. 1310 as it now stands. The Administration's response to such a bill would be dictated by the particulars of the legislation, including the authorization level.

Question: Do you believe your proposal will fare better in the Senate, in spite of the fact that legislation similar to the House bill has wide bi-partisan sponsorship?

gation. Much of the effort has gone into developing capacity within State departments of education for providing assistance to local school districts that are desegregating.

We believe that it is now appropriate for States and local school districts to assume responsibility in this area. Technical assistance to help resolve desegregation problems will still be available at the Federal level through the Department's Office for Civil Rights. In addition, Federal funding for desegregation-related activities is available under the Chapter 2 block grant program. There is no further need for categorical Federal funding.

BLOCK GRANT DISCRETIONARY FUND

Question: The Elementary and Secondary Education block grant provides for a discretionary set-aside of up to six percent of appropriated funds for expenditure at the discretion of the Secretary. I note that in fiscal year 1984 this would be approximately $28.2 million, of which $11 million is for programs specifically earmarked by the Congress. Thus, $18 million would be available for expenditure solely at his discretion.

While I was Chairman of the State, Justice Commerce Subcommittee we eliminated all discretionary funds available to the Attorney General and the Secretary of Commerce on the basis that projects of high priority are best budgeted for within the regular appropriations process. Also, I would note that there was considerably less available to them than the amount identified in your budget.

What high priorities are fulfilled through the discretionary fund?

Answer: In fiscal year 1983, $10.8 million will be used to support three programs at the level required by the statute. The three programs are Inexpensive Book Distribution, Arts in Education, and Alcohol and Drug Abuse Education.

Of the remaining funds, approximately $10 million will continue support for the National Diffusion Network. Under this program grants are awarded to local school districts identified as developers of successful education programs, so they may present their programs to other districts interested in the adoption of these successful approaches. Funds support projects in such priority areas as mathematics and science, technology, language arts, bilingual education, and education for the gifted and talented.

About $1 million in fiscal year 1983 will be used to evaluate the implementation and impact of the Chapter 2 block grant program.

The remaining funds will be used to support a variety of discretionary activities such as: Educational Television and Technology (including $500,000 for the last installment for "3-2-1 Contact", a new TV science series, $300,000 for video storage and captioning, and $250,000 for SEA training in computer literacy); the continuation of the Secondary School Recognition program aimed at recognizing exemplary junior and senior high schools; the More Effective Schools project to examine aspects of State and local education policy in light of knowledge regarding effective schools; and the National Commission on Excellence in Education.

children undergoing desegregation (7 States); gifted and talented children (7 States); children with limited English proficiency (7 States); and low achieving children (7 States). On average, the high cost factors accounted for about 30 percent of the distribution of funds. The remaining 70 percent was distributed according to enrollment.

LOCAL BLOCK GRANT ACTIVITIES

Question: What types of education programs are being supported by local education agencies with their block grant funds?

Answer: Thirty-three States with combined block grant allocations of $179.6 million have voluntarily submitted information to us on activities being planned by their local school districts. According to this information, local districts were planning to allocate their funds to the following broad categories:

- Subchapter A, basic skills development ($10.7 million or 6 percent);
- Subchapter B, educational improvement and support ($152.3 million or 85 percent); and
- Subchapter C, special projects ($16.5 million or 9 percent).

Among the most frequently chosen specific activities in these districts were:

- School library resources, textbooks, and instructional materials and equipment ($85 million or 47 percent);
- Improving educational practices ($26.6 million or 15 percent);
- Desegregation programs and civil rights training ($11 million or 6 percent);
- Guidance, counseling, and testing ($6 million or 3 percent);
- Teacher inservice training ($6.3 million or 4 percent); and
- Programs for the gifted and talented ($5.2 million or 3 percent).

BLOCK GRANTS FOR CRITICAL NEEDS

Question: How confident is the Administration that States and localities are using their block grant allocations for critical educational needs?

Answer: One purpose of the Chapter 2 block grant program was to return education decisionmaking to State and local school districts. Since local school officials are in a much better position to know what their needs are than distant Federal administrators, the likelihood that these funds are being used to meet critical educational needs is probably much higher than it was under the former, federally imposed categorical programs.

Answer: A number of proposal have been introduced in the Senate including S. 706, the Administration's bill, which was introduced by Senator Hatch. The testimony of the Secretary of Education before the Senate Committee on Labor and Human Resources, Subcommittee on Education, Arts and the Humanities, on March 9th, was well received. We believe our approach will be given serious consideration in the Senate.

DESEGREGATION

Question: The Emergency School Aid Act supported certain types of desegregation activities and is one of the programs that has been consolidated into the Chapter 2 block grant.

To what extent are States and localities using block grant funds to continue desegregation activities?

Answer: We do not have complete information on the amount of funds going to individual school districts or the types of activities they are supporting under the block grant program. However, seven States have designated children undergoing desegregation as "high cost" children, enabling districts with these children to receive additional block grant funds. In addition, at least 11 States are using a portion of their 20 percent set-aside for desegregation related activities. The State of Texas, for example, established a $1.8 million discretionary grant program for local school districts undergoing desegregation. At the local level, thirty-three States have voluntarily submitted information indicating that school districts in these States are using 6 percent of their funds for desegregation programs and civil rights training.

Question: What information does the Department of Education have concerning the ability of local school districts to support their desegregation activities without the Federal categorical aid?

Answer: Over the nine-year course of the Emergency School Aid Act (ESAA) the Federal government spent slmost $2 billion to facilitate school desegregation. Many cities received these "emergency" funds for five, seven, or the full nine years. Some received as much as $30 million. During the last two years of the program, most of the funded districts:

- had experienced a substantial increase in racial balance between 1968 and 1972 and had had little change since then;
- had high levels of racial balance in 1980;
- had implemented their desegregation plans seven or more years earlier.

Many of these school districts no longer had problems related to implementing desegregation plans, although they certainly had other kinds of problems -- e.g., improving educational opportunity for disadvantaged children -- similar to those experienced by most school districts whether they are undergoing desegregation or not.

In addition to the ESAA program more than $300 million has been spent under Title IV of the Civil Rights Act to develop and disseminate model programs to eliminate problems asssociated with desegre-

Funds will also support projects to improve the quality of teaching through incentives, to expand parental choice in education, and to strengthen school boards in areas of academic policy.

In fiscal year 1984, we are requesting $28.2 million for the Secretary's Discretionary Fund. The three mandated programs would be continued at their 1983 levels. The remaining funds would be used to continue support for the National Diffusion Network, to fund the second phase of the Chapter 2 evaluation, and to provide limited support for a variety of projects in the areas of technology, effective schools, and activities that would address the findings of the Commission.

Question: Why should we not require advance Congressional approval of these projects through the appropriatons process?

Answer: Advance approval of specific projects conflicts with the very purpose of the six percent set-aside, which is to provide limited but essential resources to enable the Secretary to support activities of national significance designed to help State and local educational agencies improve the quality of elementary and secondary education. It is critical for the Secretary to have sufficient flexibility to address particular needs as they emerge. A requirement for advance approval of projects would preclude the Secretary from using the funds for any innovative project that could not be identified a year in advance. Finally, it should be noted that a significant portion of the funds are used for projects that are described in detail in the Congressional Justifications.

COSTS OF BLOCK GRANT REPORTING REQUIREMENTS

Question: What are the estimated personnel and financial costs to State and local educational agencies for their participation in the preparation of required program reports?

Answer: The only report a State is required to submit to the Department is the application. We estimate that the preparation of this application for all the States combined involves 114 hours at a total cost of $1,140. Local educational agencies are required to submit applications to the States. Since the LEA application requirements are similar to the State application requirements, the costs would be comparable -- i.e., about two hours for each application at an average cost of $10 per hour.

"HIGH COST" CRITERIA OF BLOCK GRANT FUNDS ALLOCATION

Question: In allocating the funds to the local districts, to what extent do the States take into account high cost?

Answer: The statute requires all States to distribute funds to local educational agencies (LEAs) according to formulas based on enrollments in public and private elementary and secondary schools, adjusted to provide higher per pupil allocations to those LEAs having the greatest numbers or percentages of children whose education imposes a higher than average cost.

Among the most frequently used adjustment factors were children from low-income families (40 States); children living in sparsely populated areas (25 States); handicapped children (17 States);

SCIENCE AND MATH

Question: If you are so confident about their meeting critical needs, why propose a new math and science education program instead of simply adding this authority to the block grant legislation?

Answer: Given the need to restrain Federal spending, the Administration believes it is critical to target the funds for science and mathematics education for the most important element of the problem -- the growing shortage of qualified science and mathematics teacher at the secondary level, particularly in grades 9-12.

Question: Isn't the establishment of a $50 million block grant solely for math and science tantamount to creating another categorical program -- which is anathema to this Administration's philosophy?

Answer: The Administration recognizes that science and mathematics education is an area of particular Federal concern. The President, in his State of the Union address, indicated that a strong national defense and our continued ability to compete effectively in international markets depends on the strength of our educational system.

EMERGENCY SCHOOL AID ACT

Question: Recently the U.S. General Accounting Office asked the American Association of School Administrators for information on how local education agencies are using the block grant funds. AASA found that the block grant monies are being spent primarily for instructional materials and virtually no money is going for emergency school aid for school desegregation efforts and other such important education programs (health education, career education, consumer education....)

What do you intend to do to ensure that such important programs as emergency school aid will be implemented?

Answer: The emergency school aid programs are fully incorporated into Chapter 2 of the Education Consolidation and Improvement Act. States and local school districts may use their block grant funds for any of the activities formerly authorized by the Emergency School Aid Act (ESAA). The overriding philosophy behind Chapter 2 is to return education decisionmaking to States and local school districts. It would be inappropriate for the Department to take any action to force school officials to spend block grant funds on ESAA or on any of the other programs that the Congress consolidated into Chapter 2.

We do know, however, that at least 7 States used the number of children undergoing desegregation as a "high cost" factor in distributing funds to local districts. In addition, 11 States have devoted part of their 20 percent set-aside of block grant funds to desegregation activities. Furthermore, information supplied by a sample of 33 States indicates that local school districts in those States are spending about $11 million or 6 percent of their block grant funds specifically for desegregation programs and civil rights training.

ASBESTOS IN THE SCHOOLS

Question: In your estimation, how much will it cost nationwide to rid school facilities of asbestos?

Answer: As of March, the Enviromental Protection Agency (EPA) estimated that about 13 percent of public and private schools have asbestos in them. EPA did not know the extent of the problem or the level of hazard and, thus, could not estimate costs. Until the inspection of all public schools buildings has been completed and the extent of the problem is known, we cannot estimate the cost of removing asbestos from school facilities.

Question: Should Federal funds be available for asbestos removal?

Answer: We believe that the responsibility is a shared one among Federal, State, and local levels of government. The Federal government is clearly responsible for schools that were built with Federal funds and for which the Federal government holds title. Funds available to these schools for remodeling and construction under Section 10 of the Impact Aid program may be used to remove asbestos. For fiscal year 1983 there is $18.5 million available under Section 10, and the highest priority for expenditures under Section 10 is the removal of health and life safety hazards.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

MATH AND SCIENCE PROPOSAL

Senator Proxmire: As you know, the House has already acted on its version of a math and science bill which goes far beyond the Administration's proposal. For example, not only would the House version address the teacher shortage by authorizing $250 million in the first year for training at the elmentary and secondary school levels but it would provide $50 million for scholarships in fiscal 1984 and $125 million a year for five years for a personnel improvement program. This last program would be funded by the National Science Foundation. Hearings on the various proposals introduced in the Senate began earlier this week.

Given the fact that the House has already rejected the Administration's proposal, which was not even introduced here in the Senate, isn't it pretty clear at this point that your proposal is not going anywhere?

Answer: The Administration's bill, the Science and Mathematics Teacher Development Act, has been introduced in the Senate by Senator Hatch as S. 706. We hope that the Congress will give our bill favorable consideration. Many of the science and mathematics education bills that have been introduced are far more expensive than the Administration's proposal. Yet few of them target as much money as ours on the most critical aspect of the problem: the growing shortage of qualified science and mathematics teachers at the secondary level, especially in grades 9-12. Given the need for restraint in Federal spending, we think the Administration's approach is the most sensible one that has been proposed.

SECRETARY'S DISCRETIONARY FUNDS

Senator Proxmire: Although you are proposing a level budget in fiscal year 1984 for state block grants for improving school programs, you want to increase the Secretary's discretionary fund under this activity by 7.6 percent. Why shouldn't we hold the line here as well?

Answer: The request for the Secretary's discretionary fund is 7.6 percent more than the 1983 rescission level. However, it is the same as the 1982 level and approximately the same as the 1983 appropriation level.

ARTS IN EDUCATION

Senator Proxmire: You plan to spend $2,025,000 for the Arts in Education in fiscal year 1984. Why shouldn't this program, especially the Kennedy Center portion, be funded through the National Foundation on the Arts?

Answer: The Arts in Education program consists of two nationally significant programs that were originally authorized by Title III, Part C of the Elementary and Secondary Education Act of 1965. Presumably, since these programs -- the Kennedy Center portion and the National Committee, Arts for the Handicapped -- are primarily educational, the Congress mandated that they be continued by the Education Department through the Secretary's discretionary funds.

ALCOHOL AND DRUG ABUSE EDUCATION

Senator Proxmire: You propose the expenditure of $2,850,000 for the Alcohol and Drug Abuse Education program. You indicate that 700,000 students will be affected. This is about 1.7 percent of the Elementary and Secondary school population. How do you target these funds to make sure they serve students most at risk?

Answer: Under the school team approach, local school districts wishing to participate in the program submit applications to the appropriate regional training centers. From this competition the centers select about four districts. Each district can then send up to four teams to a center for training. The center pays for travel, training, and salaries of substitutes for the teachers who are on the teams. While at the center, the teams analyze the extent of their district's alcohol and drug abuse problems and put together an action plan. During the year after the teams return to their districts, the centers send staff as needed to help implement the action plan and also pay up to one-third the salary -- or $5,000 -- for the local district coordinator.

In selecting the school districts from the annual competition, the centers evaluate applications on the basis of the following criteria: (1) extent of the problem; (2) qualifications and leadership potential of the proposed teams and coordinator; (3) extent to which the planned activities of the teams will be coordinated with related efforts in the school and community; and (4) the degree of commitment of the school district to support team activities after their training.

We believe that these selection criteria as well as the structure of the program ensure that the funds are targeted to benefit students most at risk.

Senator Proxmire: Why shouldn't this activity be supported by the Alcohol, Drug Abuse and Mental Health Administration?

Answer: This program was originally authorized by the Alcohol and Drug Abuse Education Act as a program to be administered by the then Office of Education. It has been administered first by the Office, then the Department of Education, for more than 10 years. Presumably since this program is primarily educational and has strong ties to local school districts, the Congress mandated that it be continued under Chapter 2 through the Secretary's discretionary funds.

QUESTION SUBMITTED BY SENATOR JAMES A. MCCLURE

BLOCK GRANT

Senator McClure: How does the Department justify asking school districts and states to choose between, for example, library books and programs for the gifted since funds under Chapter 2 have been cut 37 percent from the level of the antecedent programs during FY '80 ?

Answer: The total amount of funds going to the 50 States, District of Columbia and Puerto Rico under the antecedent programs in 1981 was $507 million. In 1984, under the President's budget they will receive $446 million, a reduction of only 12 percent. This reduction becomes even smaller when looked at in terms of (1) administrative savings under the block grant and (2) the previous trend of declining funding under some of the antecedent programs. States spent about 5 percent for administration under the antecedent programs. Under the block grant program that has been reduced to about 2.5 percent. In addition, schools districts and States are saving more than $1 million just from the reduction of Federal application and reporting requirements. Futhermore, some of those antecedent programs were on their way to being phased out even if the block grant hadn't come along. So the States are conceivably better off financially than they would have been if there had been no block grant program.

It is true that some school districts are receiving less money than they did under the previous categorical programs. But some are receiving more and some are receiving Federal funds for the first time. The point is, it is now the responsibility of each State to allocate this money among its local school districts and it is the responsibility of those districts to decide how to spend it. This is certainly an improvement over the old system when the distribution of funds as well as the allowable activities were dictated by a federally-imposed system, or by the grantsmanship abilities of a few local school districts.

Questions Submitted by Senator Lawton Chiles

WOMEN'S EDUCATIONAL EQUITY ACT

Senator Chiles: You are requesting no funds for the Women's Educational Equity Act in 1984. You indicate the Federal role in providing access to education for women will be limited to enforcement of the nation's civil rights laws and research and demonstration of equity programs for women.

Could you provide us a list of these civil rights and research/demonstration projects you've got underway?

Answer: To improve the effectiveness of our efforts in enforcing Title IX, the Office of Civil Rights is planning additional staff training in the resolution of Title IX compliance reviews and is increasing the amount and variety of Title IX technical assistance offered by OCR regional staff to educational agencies and institutions.

In addition to these efforts, the National Institute of Education is supporting two projects that address the issue of sex equity in the classroom. One project will examine ways of achieving sex equity in classroom interaction. This study is designed to test the effectiveness of intervention strategies for reducing sex segregation and male dominance, to analyze the relationship between sex inequities in teacher-student interaction and academic performance, and to develop practitioner-oriented materials on ways to promote equity.

The second project will build on previously supported NIE research which suggests that specified classroom processes have important relationships to student achievement. This project focuses on ways that teachers and students can learn to change their classroom interactions so that equal educational opportunities can be provided to all. The investigators are testing curriculum materials for teachers and students and will be developing awareness materials to share the results of this research with educational practitioners.

NIE is also completing an assessment of an NIE program that was focused on increasing the participation of women and minorities in educational research. The program supported experimental activities demonstrating effective ways of increasing the participation of minorities and women at an advanced level of educational research.

TITLE IV TRAINING AND ADVISORY SERVICES

Senator Chiles: Title IV Training and Technical Assistance activities are presently funded at $24 million. Half that amount is used to support State Education Agency activities and the other half is being used to support programs administered by Sex, Race, and National Origin Desegregation Centers.

I understand that you plan to divert $5 million of the $12 million of the funds to Centers to the State Agencies instead. Is this accurate, and if so, on what basis are you justifying the reprogramming?

In 1982, awards totalling about $12 million were made to 95 civil rights units in 42 State departments of education. An additional $12 million was used to support 40 desegregation assistance centers, most of which are at universities. The purpose of both kinds of awards is essentially the same -- that is, to provide technical assistance to local school districts that are undergoing desegregation.

Last year, several applications from State educational agencies failed to make the required cutoff and could not be funded. However, we expect that those States will have corrected last year's deficiencies and will submit fundable applications for 1983. In anticipation of this, we are estimating that approximately $14 million will be required in 1983 to support desegregation assistance efforts in State departments of education. The remainder, approximately $10 million, will be used to continue the 40 desegregation assistance centers.

It is important to note that these figures are estimates. Final allocation of funds will depend on the nature and quality of applications received under this program.

IMPACT AID

OPENING STATEMENT

Senator WEICKER. We will now turn to the final area of this morning's hearing, impact aid. And again it will be Mr. Davenport testifying with those presently accompanying him.

Mr. Secretary, you can go right ahead with your statement.

Mr. Davenport. Thank you, Senator.

Mr. DAVENPORT. Thank you, Mr. Chairman and members of the committee. We appreciate this opportunity to appear before you to discuss the appropriation request for impact aid. The President's 1984 budget contains a request of $465 million for the program activities under Public Laws 81–874 and 81–815. This request includes $455 million for maintenance and operation activities under sections 2 and 3 of Public Law 81–874, and $10 million for section 14 (a) and (b) of the construction program, Public Law 81–815.

We believe that our 1984 request for impact aid is a sound one, and one that deals with the program reforms adopted by Congress as part of the Reconciliation Act of 1981. It also continues this administration's commitment to giving the highest priority to the support of those school districts that are most heavily impacted by the presence of Federal activities.

Also included in the President's budget is a $5 million rescission proposal from the 1983 appropriation for section 2, Public Law 81–874.

Of the $455 million requested for 1984 under maintenance and operations, $446 million is proposed for making payments under section 3(a), for children who reside, and whose parents work on Federal property or are on active duty in the uniformed services. In 1984, we propose to make payments of full entitlement to the so-called super "a" districts, those districts in which 3(a) children make up 20 percent or more of their average daily attendance. Payments for nonsuper "a" districts, those with 3(a) children amounting to less than 20 percent of their total ADA, would be prorated from full entitlement to the level allowed by the remaining funds. The current estimate is that payments would amount to at least 50 percent of the entitlements for those districts.

In accordance with the Reconciliation Act of 1981, no payments would be made for 3(b) children, those who live or whose parents work on Federal property, or are on active duty in the uniformed services. However, these children may be counted as federally connected children in order to meet the basic eligibility requirements for payment under section 3.

Our 1984 budget proposal does not include funds for increased payments to districts that qualify under section 3(d)(2)(B), a provision that provides benefits to a very small number of districts. Payments of 100 percent of entitlement for super "a" districts would respond to the needs of the former 3(d)(2)(B) districts.

We expect to make section 3(a) payments to approximately 1,700 districts in 1984 under this proposal, of which about 330 are super "a" districts.

The amount of $9 million requested for section 2 will result in payments of approximately 45 percent of entitlement in 1984. These payments are made to school districts which have suffered a partial loss of tax base, totaling 10 percent or more of assessed valuation, due to the acquisition, since 1938, of real property by the U.S. Government.

The 1984 budget proposal for impact aid does not include a request for new budget authority for disaster assistance, section 7 of Public Law 81-874. The Supplemental Appropriation Act of 1982 provided authority for the use of unexpended 1982 disaster assistance funds in 1983. In addition, there is a 1983 appropriation of $10 million, resulting in a total of over $17 million being available in 1983. Since average disaster assistance needs in recent years have been less than $10 million, we believe that the funds available in 1983 will be sufficient for 1983 and 1984. Therefore, we request that remaining 1983 funds be made available for 1984 disaster claims.

The total amount requested for activities under Public Law 81-874 is the maximum amount authorized, $455 million.

For construction activities in 1984, we are requesting $10 million for sections 14 (a) and (b) of Public Law 81-815. This is $1.5 million more than the 1983 amount for sections 14 (a) and (b). We propose that funds be made available only for construction of school facilities to serve children residing on Indian lands, because this is where we believe the greatest need lies.

Since new applications can earn priority ranking above applications previously on file, it is not possible to say exactly how many applications will be funded. However, we estimate that the present request would provide funding for at least three projects.

The construction budget proposal includes a request that funding and operations of section 10 of Public Law 81-815 be transferred to the Department of Defense. The vast majority of the buildings under the jurisdiction of this section are located on military installations. Furthermore, nearly one-half are associated with current section 6 projects. As required by the Reconciliation Act of 1981, the funding of section 6 projects was transferred to the Department of Defense in 1982. The current proposal thus complements the transfer that took place in 1982.

The President's budget includes the proposed rescission of $5 million from the funds appropriated for section 2 of Public Law 81-874 for 1983. This rescission will bring the appropriation for activities under Public Law 81-874 to the ceiling authorized by the 1981 Reconciliation Act and will further the President's efforts to control Federal spending.

My colleagues and I would be happy to respond to any questions.

Senator WEICKER. Senator Inouye?

PAYMENTS FOR NATIVE HAWAIIANS

Senator INOUYE. Mr. Chairman, two questions, sir. When Hawaii became a territory, the so-called government lands, lands that were owned by the Kingdom of Hawaii and, thereafter, the Republic of Hawaii, were conveyed to the U.S. Government. A portion of those lands were used for military purposes, and a significant portion was set aside and designated as Hawaiian homestead lands. These were lands set aside for Native Hawaiians to reside on and to do small farming.

We have few Hawaiian homestead areas and schools located thereon, and these schools, in all cases, about 90 to 95 percent are made up of Hawaiian students. About 4 years ago, Native Hawaiians were designated as Native Americans by the Attorney General's office. As a result of that, certain programs have included Native Hawaiians in the Native American section, such as CETA.

I note that you have in your jurisdiction the Indian land schools. They are part of the Native American program. What would be your position in including Hawaiians who reside on Hawaiian homestead land as part of the Native American program?

Mr. DAVENPORT. I would like to research that, Senator, and provide it for the record. It is the first time that question has been asked of me, and I would have to say I am taken back a little bit. I would like to look into the law——

Senator INOUYE. I realize this, too, and I would appreciate that, sir.

[The information follows:]

PAYMENTS TO HAWAIIANS LIVING ON ROYAL LANDS

Our preliminary conclusion to this question is that these lands do not meet the conditions for classification as Indian lands for the purposes of impact aid payments. We will continue to look into this and prepare a more detailed response to the letter we have received from Senator Inouye raising this same issue.

SCHOOL DISTRICT SYSTEM IN HAWAII

Senator INOUYE. Then we have another problem. When Hawaii became a State in 1959, we received the recommendations of the National Education Association and the Department of Education at that time that the best school system would be a highly centralized, one school district. And so Hawaii has one school district, a highly centralized system.

I am talking about impact aid now. If you use one school district, the "a" category students will constitute roughly 9½ percent. However, we do have within this highly centralized system administrative districts. On the island of Oahu I believe we have three administrative districts, and all the other counties make up one administrative district.

If we use the central school district on the island of Oahu—that's the district that covers Pearl Harbor, Schofield Barracks, Hickam Field—you will find that about one-third of the students—ADA's—are "a" category students.

If this happened to be a separate school district as you find in all other States, then it would qualify as a super "a" district, won't it?

Ms. HARRISON. If you have more than 20 percent "a" children.

Senator INOUYE. Well, we have one-third, so 33 percent.

Mr. DAVENPORT. Yes, sir.

Senator INOUYE. Now, using your formula, and if Hawaii is considered to be just one school district, we're out in the cold out there.

Mr. DAVENPORT. Yes; because your percentage of "a" children would be less than the 20 percent minimum.

Senator INOUYE. So Hawaii gets penalized for following the recommendations of all the educators by making the State into one school centralized district.

Mr. DAVENPORT. Again, it's a tough question to answer, and we are not familiar with all the details of the Hawaiian system. It would appear that to the extent that you would redraw your district lines in order to qualify for more funds for one administrative district, in this one case, you might at the same time eliminate funding that you are receiving for other administrative districts as a result of redrawing the lines.

Senator INOUYE. Oh no. We will come out with more, obviously, because we would then be in the nonsuper "a" district, won't we, which would at best be 50 percent?

You see, most of our "a" category students just happen to be living on posts and reservations in the central Oahu district. And we don't wish to divide the State into various school districts, because at the present time a school teacher in Honolulu gets the same pay as one in Hilo. The one in Hilo gets the same pay as the one in Lihue—no matter how outlying the island may be. They have the same appropriations for the school textbooks, for facilities, et cetera. And we would hold that this is the best school system that educators have conceived. So we thought, well, we're a new State, we'll do things the proper way.

Now we find ourselves being penalized. Would you accept the Central Oahu School District, which is an administrative district, as a district to qualify for super "a" funds? We don't have a school superintendent elected or a school board elected for that centralized district. We have a deputy superintendent for that district.

Mr. BAUER. We can't make policy sitting here at the table, but we certainly can take your concerns back to the Department and see what develops.

Mr. DAVENPORT. Let us study it, Senator, and respond for the record.

Senator INOUYE. You understand my concern, don't you?

Mr. DAVENPORT. Yes, we do.

Senator INOUYE. We want to follow your recommendations, sir, but if we do, we get a little messed up.

Mr. DAVENPORT. Well, we are anxiously awaiting the report of the study commission on this issue. I think that might give us some guidance, some possible way for the Department to please folks here.

SINGLE DISTRICT SYSTEMS

Senator INOUYE. Thank you. Is Hawaii the only State with one district?

Ms. HARRISON. Yes.

Mr. DAVENPORT. Yes.

Senator INOUYE. Is that what you educators recommended?

Mr. DAVENPORT. I'm sorry, sir?

Senator INOUYE. Is that what educators recommend, a centralized school system?

Mr. DAVENPORT. Some educators do. [Laughter.]

[Simultaneous discussion.]

Mr. DAVENPORT. There was some consolidation about 10 years ago. I am not sure that anybody recommends consolidation anymore.

Senator INOUYE. But we don't have a poor or rich district in Hawaii. It's all the same.

Ms. HARRISON. It's the only State that has a single school district, but, for example, as relates to impact aid, New York City has the New York City schools and then 31 internal administrative units in addition. We do not allow payments to be made to administrative units there either. The statute does not allow us to exercise that discretion. The definition of "local education"——

Senator INOUYE. Can you give me what you would consider to be minimum requirements for an area to meet—to constitute itself as a school district?

Ms. HARRISON. I think we will have to go back to the statute, because I think it's defined. We can look into that for you.

[The information follows:]

PAYMENTS TO ADMINISTRATIVE UNITS IN HAWAII

In order for impact aid payments to be made to jurisdictions other than the current statewide local educational agency in Hawaii, these additional units would have to be made local educational agencies under State of Hawaii law. There is no provision for payments to units of government other than local educational agencies under the impact aid program.

PAYMENTS FOR "b" CHILDREN

Senator INOUYE. If the changes are minimal, that's what I will suggest to the State. We can always set up a new board. [Laughter.]

We have a lot of people that love to serve on boards.

Ms. HARRISON. It's going to have to have, probably, taxing authority and be a legally constituted——

Senator INOUYE. Oh, no. We won't do——

[Simultaneous discussion.]

Senator WEICKER. I'll ask one question and then submit the rest for response for the record.

Authorization for payments for category "b" children terminates at the end of fiscal year 1983 under the provisions of the Omnibus Budget Reconciliation Act, and the Department has not requested funds for payments to "b" children. To what extent will apparently eligible school districts be forced to raise taxes or reduce services if impact aid payments for "b" students are terminated?

Mr. DAVENPORT. We would have no way of knowing that. Last year, when the Reconciliation Act was passed by Congress, it provided school districts with a year in which to adjust and to make their plans. I would assume that the local elected school board and their superintendent have been reviewing how they are going to provide education for their students.

Ms. HARRISON. I would like to point out, too, that they can count their "b" children for purposes of becoming an impact aid district. So they benefit from them, in a sense. They simply don't receive money to serve them. But the overall population of "a's" and "b's" gets counted to put you into the program.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right. The other questions will be submitted for response to the record. I would appreciate it if any other questions by Senators on the committee would also be responded to.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CONTINUED COMPENSATION FOR FEDERAL ACTIVITIES

Question: Do you believe that the Federal Government has an obligation to continue compensating LEA's (local educational agencies) whose tax base is diminished by Federal property and/or federally connected children?

Answer: The Federal Government should continue to compensate certain local educational agencies adversely affected by Federal activities. We intend to look into the question of which ones should be compensated, and to what extent, in connection with preparation of a proposal for reauthorization of this program.

PROGRAM REAUTHORIZATION

Question: Has the Administration recommended to the appropriate committees of Congress that there be a comprehensive reauthorization of this program? If so, would you please outline for us what changes you would recommend?

If not, are we to assume that you are pleased with the existing statutory authority?

Answer: The Administration has not yet submitted a reauthorization proposal for this program to the Congress. It is our intention to submit such a proposal in conjunction with the 1985 budget process. We expect to have substantive changes to recommend.

REDUCTIONS IN IMPACT AID FUNDING

Question: In his recent reply to a letter signed by 28 members of the Senate opposing further reductions in P.L. 81-874, OMB Director David Stockman indicated that thus far, reductions in impact aid monies have been at the expense of "b" payments. Would you agree with his statement?

Answer: We do agree with that statement. While total payments for "a" children decreased somewhat from 1981 to 1982, they increase in 1983 and would increase further under our 1984 budget proposal. Payments for "b" children, at the same time, drop from $225 million in 1981 to $61 million in 1982 and an estimated $58 million in 1983. There would be no payments for "b" children in 1984 under our proposal.

PAYMENTS AS A PERCENTAGE OF ENTITLEMENTS

Question: By your own estimates (those which were used to calculate the budget request for this program), in receiving 95 percent of their fiscal year 1981 payments, "Super a" districts (those with a minimum of 20 percent "a" children) are receiving only 72 percent of the amount to which they are entitled in fiscal year 1983. In fiscal year 1982, these districts received only 86.4 percent of their fiscal year 1981 payments.

Until this year (for which you recommend funding P.L. 81-874 at the $455 million level authorized), the Reagan Administration has consistently recommended reductions in impact aid. How are districts coping with these reductions?

Answer: The section 3 formulas enacted by the Congress in 1982 and 1983 have resulted in payments to some "super a" districts which are lower than those they received in 1981. Districts whose impact aid payments are reduced must reevaluate their planned expenditures to determine which are the most important and which can be reduced or eliminated. They also must consider what alternative sources of funds are available to them and obtain what additional sums they may be eligible for from those sources.

REDUCTIONS IN OTHER FEDERAL PROGRAMS

Question: Would you deny that impact school districts have found it more difficult to cope with reductions in other Federal programs than non-impact districts, and if so, why?

Answer: We do not have information available on reductions in other Federal programs for impact aid or non-impact aid school districts on which to base a response.

DISTRICTS UNABLE TO CONTINUE OPERATIONS

Question: Have you received communication from any impact districts which believe they will be unable to continue operating their schools through fiscal year 1984?

Answer: No, we have not received communication from any school districts which believe they will be unable to continue operating their schools through fiscal year 1984.

SCHEDULE OF PAYMENTS

Question: Would you please tell us in which months districts received their various fiscal year 1981, fiscal year 1982, and fiscal year 1983 payments?

Answer: For fiscal year 1981, the bulk of the payments were made in November 1980, January 1981, May 1981, and November 1981. Most fiscal year 1982 payments were made in November 1981, March 1982, and October 1982. The majority of fiscal year 1983 payments to date were made in November 1982 and April 1983. Another set of payments will be made after the end of fiscal year 1983.

EFFECTS OF REDUCTIONS IN LOCAL FUNDS

Question: Has any recent decision to lessen collection of revenues at local and/or state levels, as in the instance of Proposition 13 in California, necessitated any increase in the Federal commitment to certain districts, particularly under section 3(d)(2)(B)?

Answer: Adoption of measures such as Proposition 13 at the State and local levels will result in decreasing the funds necessary to fulfill the Federal responsibility of this program. Amounts of impact aid payments are keyed to funds raised at the local level for educational costs. If fewer dollars are raised at the local level, the amounts of Federal payments would decline, although they could not fall below the level determined by the minimum local contribution rate set by the program statute.

PUBLICATION IN THE FEDERAL REGISTER

Question: Has the current "worksheet" you use to determine eligibility under section 3(d)(2)(B) ever been published in the Federal Register?

Answer: The 3(d)(2)(B) worksheet has not been published in the Federal Register. It is a printed form that helps implement the impact aid statute and regulations regarding determinations under section 3(d)(2)(B). The worksheet is available, upon request, to any interested LEA and can be reviewed in our offices at any time.

Question: On what date did you last place a notice in the Federal Register relative to P.L. 81-874? What was the purpose of that issuance?

Answer: Final regulations for section 7 of P.L. 81-874 and activities under P.L. 81-815 were published in the Federal Register on January 22, 1982.

NOTIFICATION OF PROGRAM CHANGES

Question: How do you notify districts of program changes?

Answer: State and local educational agencies are notified of Congressional action and changes in program operations, and provided instructions for the preparation and submission of applications and related data, by memoranda. For each fiscal year, several written notices are usually distributed to these agencies.

ADMINISTRATION OF THE PROGRAM

Question: How many different directors has the Division of Impact Aid had over the last 10 years? How many times have directors been dismissed only to be reinstated at a later date?

Answer: There have been six individuals in the position of director of the impact aid program over the last 10 years. One of them was transferred out of that position and later returned.

Question: Do you believe there has been sufficient continuity within the division to enable efficient administration of this complex program?

Answer: Many of the key staff members have worked with the impact aid program for a number of years, under different directors. The expertise of these employees has provided continuity in the administration of the program.

SECTION 2 PAYMENTS

Question: In fiscal year 1982, section 2 eligible districts received only 48 percent of the amount to which they were entitled under this section of P.L. 81-874. The Continuing Resolution which provides funding for this program through the current fiscal year contains $15 million for section 2, $5 million more than is authorized under the Omnibus Reconciliation Act of 1981.

In addition to recommending that $5 million of the amount available for section 2 be rescinded, you have recommended only $9 million for this section in fiscal year 1984, or $1 million below that authorized.

Could you please tell us what amount is necessary to fund fully section 2 in fiscal year 1984, and explain the rationale for your recommendations relative to both fiscal years 1983 and 1984.

Answer: We do not have available at this time information on which to base a firm estimate of 1984 entitlement figures for section 2. This would be contained in the 1984 applications for that section. We have no reason to believe that total entitlements would be less than the 1982 amount of approximately $20 million. The 1984 budget proposal reflects the Administration's policy that the activity of primary importance in this program is section 3(a). It is also this Administration's position that the funding for this program should remain within the authorization limits set by the Reconciliation Act of 1981.

Question: It is my understanding that a district's need is taken into account when calculating section 2 entitlements. In fiscal year 1984, since the demand for section 2 monies is likely to be equal to or greater than it was in fiscal year 1982, $9 million would not provide even 48 percent of entitlement to eligible districts. How then can you justify recommending a level of funding insufficient to provide even 50 percent of full entitlement under section 2?

Answer: Payments to local educational agencies which serve section 3(a) children are the Administration's highest priority within the impact aid program. For this reason, the 1984 request for section 3 incorporates part of the section 2 authorized amount, and an amount less than the full authorization is requested for section 2. Eligibility for section 2 payments does not require the presence of federally-connected children in the school district; many section 2 districts are not eligible for section 3 payments. We prefer to see the limited funds for this program spent on the education costs of children who reside in a school district because of Federal activities, and who present a genuine burden to their districts.

SECTION 3(d)(2)(B) FUNDING

Question: Your budget proposal does not include funding for section 3(d)(2)(B) of P.L. 81-874. Why have you recommended no funding for this section of the law, the only section which provides funding for districts solely on the basis of extreme need?

Answer: We believe that our budget proposal to provide payments of full entitlement to heavily impacted districts will answer the needs of the very few districts which have received funds under section 3(d)(2)(B). At this time, we estimate that only seven districts will ultimately qualify for this funding in 1982.

Question: Presumably you are aware that it is your Department's estimates of the amount needed to fund fully 3(d)(2)(B) in fiscal year 1982 that prompted the House and Senate Subcommittees to recommend placing a cap on this section in fiscal year 1983. Do you anticipate that the $15 million cap approved by Congress will necessitate a proration of payments made under this section?

Answer: We do not have information available at this time on which to base a reliable estimate of funds needed for districts eligible under section 3(d)(2)(B) in 1983. It will be several weeks before we are able to compile a preliminary estimate. At this time, our latest estimates indicate that districts eligible under section 3(d)(2)(B) in 1982 would receive a total of approximately $7.8 million in addition to their regular formula payments.

Question: To the best of your knowledge, will any districts in the nation be forced either to close or reduce their teaching staff below a reasonable level during either the current or the 1983-84 school year in the event their payments are prorated under this section?

Answer: We do not know of any districts that would be forced to close or reduce their teaching staff below a reasonable level either this year or next year because of the proration of payments under section 3(d)(2)(B).

PAYMENTS FOR "b" CHILDREN

Question: You have not recommended funding for "b" children, for which there is no authorization in fiscal year 1984. The technical amendments introduced by Senators Hatch and Stafford, S. 112, provide authorization for "b" children, at one-third of entitlement, through fiscal year 1984. Similar initiatives have been taken by members of the House.

What is your position with respect to the reauthorization of payments for "b" children?

Answer: We oppose the extension of funding for payments for "b" children. These children, unlike "a" children, do not constitute a significant burden for the school district in which they reside. The Federal role in this program should be to provide support for the educational costs of "a" children, especially those in heavily impacted districts, since the parents of these children do not contribute to the tax base from which educational services are supported at the same rate as the parents of non-Federal children or "b" children.

Question: Are there any districts which will be placed in a precarious financial situation in the event districts receive no compensation for their "b" children?

Answer: We do not know of any districts that will be placed in a precarious financial situation in the event that payments for "b" children are discontinued. The 1981 Reconciliation Act, which contains the phase-out schedule for "b" payments, was enacted in 1981. Payments for "b" children were reduced substantially from 1981 to 1982 and 1983. These events, as well as the many attempts to reduce or eliminate "b" payments in the past, served to alert school district management to the need to prepare for the termination of these payments. Local educational agencies received ample warning of the elimination of "b" payments and have had sufficient time to plan accordingly.

Question: In the event Congress reauthorizes Section 3(b), has the Administration given any thought to what effect continued funding for "b" children will have on heavily impacted "a" districts?

Answer: If the authorization ceiling for P.L. 81-874 remains the same, funding for "b" children will necessarily result in lower payments for "a" children. We would prefer to protect payments to heavily impacted "a" districts from significant reductions if payments are continued for "b" children.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

1984 BUDGET PROPOSAL

Senator Chiles: In your justification of your 1984 request for impact aid, you state that it is the Administration's policy to direct the bulk of the funds to the most heavily impacted districts. It also seems to be a policy of this Administration to support those programs that leave the greatest responsibility and choice in education to the State and local education agencies.

It seems to me that your proposals for full entitlement for "super a" districts, defined as those having at least 20 percent of their average daily attendance comprised of children whose parents live and work on Federal property, are inconsistent with both your policies on impact aid and education programs in general.

In Florida we have large, county-wide school districts. This has been a State and local choice to avoid fragmenting education and to provide efficient education services. Unlike States with several hundred school districts, some of Florida's 67 large districts are heavily impacted, in terms of numbers of military children to serve and land off the tax rolls, and still don't have the minimum percentage of these children to qualify as "super a's". For instance, we have at least one district with 40 percent of the land off the tax rolls as Federal property and several thousand impact aid children to serve.

Wouldn't it be more consistent with your own policies on State and local choice in determining the size of school districts and on full funding for heavily impacted areas to have an alternative to the 20 percent minimum percentage of "a" students, such as a threshold on the number of "a" students served or percentage of land off the tax rolls?

Answer: The definition of a heavily impacted, "super a" district as one that has 3(a) children amounting to at least 20 percent of the total average daily attendance of the district is contained in the program statute. We believe there is a relationship between concentrations of "a" children and burden to a school district beyond that of simply numbers of Federal children and burden.

Section 2 of the program statute provides for compensation to school districts in which a significant portion of the property is owned by the Federal Government.

REAUTHORIZATION OF IMPACT AID

Senator Chiles: In your proposals for reauthorizing impact aid, how are you planning to reimburse impact aid districts fairly, whether they are small districts or large, consolidated ones?

Answer: We intend to look into the question of what conditions represent the greatest and least burdens to school districts educating federally connected children. The information obtained through such an analysis would be reflected in a reauthorization proposal.

PAYMENTS FOR "b" CHILDREN

Senator Chiles: I've been an active proponent of a tight definition of eligibility for category "b" of impact aid. I've maintained that we shouldn't use the program to duplicate other education aid like Title I for disadvantaged students, and that we shouldn't overcompensate counties like Montgomery and Fairfax with large numbers of Federal workers who are amply contributing to the property tax base.

But if we don't reauthorize some form of category "b" payments, how are we going to fairly reimburse school districts that have large numbers of children to educate due to their parents working on Federal property, but as much as 25 percent or 40 percent of the land off the property tax rolls? There's no way a local sales tax or millage could make up for that much land off the tax rolls.

Answer: School districts educating "a" children, who represent a genuine burden because their parents do not contribute to the tax base from which education costs are financed at the same rate as parents of non-Federal or "b" children, would continue to receive impact aid payments. Also, districts which encompass significant portions of federally-owned land will continue to receive payments under section 2.

IMPACT AID PAYMENTS FOR FLORIDA DISTRICTS

Senator Chiles: I would appreciate your supplying for the record a breakdown of how your impact aid proposals for fiscal year 1984 will affect each county in my State and elsewhere, in terms of what they are receiving under our current 1983 appropriation and what they would be getting under current law in 1984 if there were no overriding appropriations language.

Answer: The following figures represent estimated payments to all impact aid districts in Florida under the 1983 Continuing Resolution and the 1984 budget proposal. We do not have available at this time 1984 estimates for payments under the current law.

School District	1983 Estimated Payment	1984 Estimated Payment
Alachua County	$ 27,900	$ 1,200
Bay County	808,200	688,900
Brevard County	1,627,000	952,500
Broward County	145,600	107,400
Clay County	370,400	---
Columbia County	8,900	1,100
Dade County	1,483,000	1,200,600
Duval County	1,918,200	1,595,500
Escambia County	684,900	467,300
Glades County	98,400	81,100
Gulf County	---	2,500
Highlands County	47,900	40,900
Hillsborough County	915,700	674,400
Lee County	18,000	---
Leon County	20,800	4,700
Monroe County	663,800	598,600
Okaloosa County	2,587,200	1,807,600
Orange County	734,500	607,400
Palm Beach County	38,000	---
Pinellas County	66,500	---
Saint Lucie County	18,900	800
Santa Rosa County	262,600	207,100
Sarasota County	11,900	---
Seminole County	18,000	---
Volusia County	34,100	500
Walton County	5,600	---
	12,616,000	9,040,100

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until tomorrow morning at 8:30, when we will meet in this room to discuss vocational and adult education, education for the handicapped, and rehabilitation services and handicapped research.

[Whereupon, at 10:15 a.m., Wednesday, March 9, the subcommittee was recessed, to reconvene at 8:30 a.m, Thursday, March 10.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 10, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF EDUCATION

VOCATIONAL AND ADULT EDUCATION

STATEMENT OF ROBERT M. WORTHINGTON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ACCOMPANIED BY:

PAUL V. DELKER, DIRECTOR OF ADULT EDUCATION SERVICES

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. We will begin our hearings on the administration's request for vocational and adult education.

Our first witness is Robert M. Worthington, Assistant Secretary for Vocational and Adult Education.

Welcome, Dr. Worthington. Why don't you introduce your colleagues.

Your statement in its entirety will be included in the record at this point, and you can begin any way you wish.

[The statement follows:]

STATEMENT OF ROBERT M. WORTHINGTON

I appreciate the opportunity to appear before you today to discuss the fiscal year 1984 appropriation for vocational and adult education. These programs, by their contributions to the formation of a skilled and literate work force, play a key role in the Nation's economic well-being. The President's Budget includes $500 million for vocational and adult education in fiscal year 1984. Of this amount, $492.8 million is proposed for later transmittal under new legislation that will be submitted to the Congress very shortly, while $7.2 million is the permanent appropriation under the Smith-Hughes Act.

The total of $500 million for vocational and adult education represents a decrease of $323.7 million below the level of the final continuing resolution for fiscal year 1983.

Consolidation of Programs

The cornerstone of the fiscal year 1984 budget for vocational and adult education is our proposal to consolidate both programs into a simplified grant to the States and Territories, keeping a small set-aside for Federal discretionary projects in areas of special national interest. The Department is now making final decisions about the consolidation proposal we will submit to Congress and how it will differ from last year's bill. The proposal will greatly simplify the administration of the vocational and adult education programs at the State and local levels. As you recall, in last year's bill the current expenditure guidelines, set-asides, and requirements were largely replaced by four simple rules: no more than 4 percent of a State's grant could be used for State administration; at least 30 percent of the remainder would have to be spent on economic development and skilled work force training; at least 30 percent would have to be used to improve and strengthen State and local systems of vocational education; and at least 13 percent would have to be spent on adult basic education.

We anticipate that savings in administrative costs resulting from the consolidation will make up for some of the reduction in funding for vocational and adult education called for under the President's Budget. Because of the continuing popularity of these programs at the State and local levels--as evidenced by the high overmatch of State and local to Federal resources--we anticipate that support from those levels will replace Federal funding for programs and services which State and local authorities consider essential.

New Federalism Initiative

Fiscal year 1984 will also be the first year of increasing State responsibility for the vocational and adult education programs under the Administration's proposed New Federalism initiative. The State Fiscal Assistance Block Grant Act was recently submitted to Congress. This bill includes vocational and adult education in a package of programs to be turned back to the States by 1988. During that transition period, these programs would continue to operate under existing Federal rules and administration, although

States would have the option of taking over administration of the programs.

The New Federalism bill is thus an Administration statement that, for the long term, the vocational and adult education programs should be entirely the responsibility of the States and localities. During the interim years, a $500 million annual appropriation combined with enactment of the consolidation proposal will allow the States to assume more responsibility for administration and funding of these programs.

Thank you. Mr. Chairman. My colleagues and I will gladly respond to your questions.

BIOGRAPHY OF ROBERT M. WORTHINGTON

NAME : Robert M. Worthington

POSITION : Assistant Secretary for Vocational and Adult Education

BIRTHPLACE AND DATE : Saskatchewan, Canada
May 31, 1922

EDUCATION : Eastern Kentucky State University, 1948 Bachelor of Science
University of Minnesota, 1949 Master of Arts
University of Minnesota, 1958 Doctor of Philosophy

EXPERIENCE :

PRESENT : Assistant Secretary for Vocational and Adult Education

1979-1981 : Associate Commissioner of Higher Education, Utah State Board of Regents
Director of Technical and Community Colleges, Vocational Education, Capital Facilities and Campus Planning

1974-1979 : Chairman and Senior Research Associate. Career Development Associates, Inc., Princeton, New Jersey

1973-1974 : Visiting Professor of Education, Rutgers University, Graduate School of Education

1971-1973 : Associate U.S. Commissioner of Education
Director, Bureau of Adult, Vocational and Technical Education, U.S. Department of Health, Education and Welfare

1965-1971 : Assistant Commissioner of Education
Director, Division of Vocational Education, New Jersey State Department of Education

1958-1965 : Professor and Chairman, Department of Industrial Education and Trenton State College, Trenton. New Jersey

1956-1958 : Industrial Education Supervisor, Minnesota State Department of Education

1954-1956 : Instructor, Industrial Education, University of Minnesota

1953-1954 : Teaching Assistant, University of Minnesota

1952-1953 : Instructor, Manufacturing Processes, School of Engineering, Purdue University

1949-1952 : Teacher and Athletic Coach, Johnson High School, St. Paul Minnesota

ASSOCIATION MEMBERSHIP : American Vocational Association
American Education Research Association
American Association of School Administrators
American Industrial Arts Association
Epsilon Pi Tau
Phi Delta Kappa
Iota Lambda Sigma
Mu Iota Epsilon
Alpha Psi Omega

PUBLICATIONS: Author, *Careers, an Overview* (Prentice-Hall), 1976
Senior Author, *General Power Mechanics*, (McGraw-Hill), Second Edition, 1976

Co-Author, *Protecting the Vision of Children*, (Charles G. Thomas), 1969

150 Articles and papers published by journals, learned societies, government agencies

INTRODUCTION OF ASSOCIATES

Dr. WORTHINGTON. Thank you, Mr. Chairman.

On my left is Paul Delker, Director of the Division of Adult Education Services.

On my right is Sally Christensen, Director of the Budget Service, Department of Education.

I would like to take this opportunity, Mr. Chairman, to give you a brief overview and submit for the record our testimony on the 1984 appropriations for vocational and adult education.

The President's budget includes, as you see on the chart on your left, $500 million for vocational and adult education in fiscal 1984. Of this amount, $492.8 million is proposed for later transmittal under new legislation—it will be submitted to the Congress very shortly—while $7.2 million in the lower right-hand corner is a permanent appropriation under the Smith-Hughes Act.

EDUCATION ACTIVITIES—1984 BUDGET

VOCATIONAL AND ADULT EDUCATION APPROPRIATION

	1983 second continuing resolution	1984 President's budget
Vocational and adult education consolidation (proposed legislation)		$492,800,000
Adult education grants to States (AEA)	$95,000,000	
Vocational education (VEA)	728,700,000	7,200,000
Total	823,700,000	500,000,000

The proposal of $500 million for vocational and adult education represents a decrease of $323.7 million below the level of the continuing resolution for fiscal 1983.

The cornerstone of our fiscal year 1984 budget for vocational and adult education is our proposal to consolidate both programs into a simplified grant to the States and territories, and provide for a small set-aside for Federal discretionary projects in areas of special national interest.

CONSOLIDATION PROPOSAL

The Department is now making final decisions about the consolidation proposal which we will submit to Congress very soon. As you recall, in last year's bill the current expenditure guidelines, set-asides, and requirements were largely replaced by four simple rules.

You will note on the left the rather complex structure. We don't show all the set-asides, but we do show the complexity of the present legislation.

On the right, we show a simplified consolidation proposal.

EDUCATION ACTIVITIES—1984 BUDGET

VOCATIONAL AND ADULT EDUCATION APPROPRIATION

	1983 second continuing resolution	1984 President's budget
Vocational and adult education consolidation (proposed legislation)		$492,800,000
Adult education grants to States (AEA)	$95,000,000	
Vocational education (VEA):		
Basic grants	558,200,000	
State program improvement grants	99,600,000	
Programs of national significance	7,700,000	
Special programs for disadvantaged	14,400,000	
Consumer and homemaking education	31,600,000	
State advisory councils	6,500,000	
State planning	3,600,000	
Permanent appropriation	7,200,000	7,200,000
Subtotal, VEA[1]	728,700,000	7,200,000
Total	823,700,000	500,000,000

[1] Totals may not add up, due to rounding.

The four simple rules of our consolidation proposal would be: No more than 4 percent of a State's grant could be used for State administration; at least 30 percent of the remainder would have to be spent on economic development and skilled work force training; at least 30 percent would have to be used to improve and strengthen State and local systems of vocational education; and at least 13 percent would have to be spent on adult basic education.

The 13 percent would maintain the present balance between adult and vocational education. The remaining 27 percent would be undesignated. The States could use that in any manner they saw fit, in any one of the categories.

We anticipate that savings in administrative costs and paperwork and redtape resulting from the consolidation will make up for some of the reduction in funding for vocational and adult education under the President's budget.

NEW FEDERALISM

Our fiscal 1984 budget is being presented in the context of the President's New Federalism initiative. The State Fiscal Assistance Block Grant Act, as you know, was recently submitted to Congress. This bill includes vocational and adult education in a package of programs to be turned back to the States by 1988. During the transition period, these programs would continue to operate under existing Federal rules and regulations.

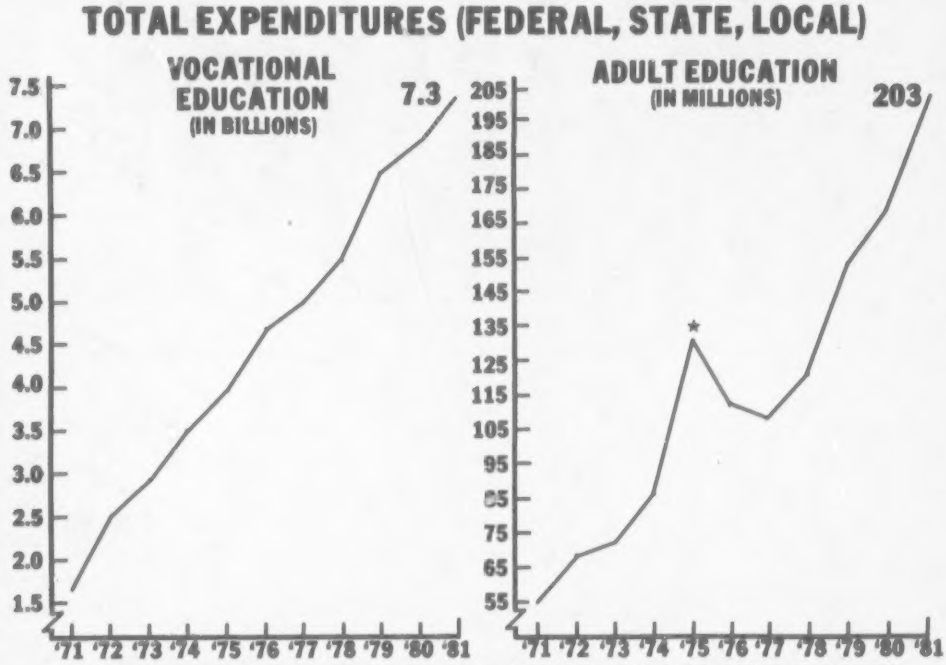
The New Federalism bill is thus an administration statement that for the long term, the vocational and adult education programs should be entirely devolved to the States. During the interim years, a $500 million annual appropriation combined with enactment of the consolidation proposal will allow the States to assume more responsibility for administration and funding of these programs.

SPENDING PATTERNS

If I may just quickly, Mr. Chairman, show you four additional charts, it will, I think, clarify our presentation.

This chart shows the total expenditures for vocational education and adult education in the last decade, beginning in 1971 at $1.5 billion. The last year for which we have full statistics, fiscal 1981, indicates $7.3 billion total. I should point out that this is Federal, State, and local combined.

The adult education program has risen from $55 million in 1971 to $203 million in Federal, State, and local funds.

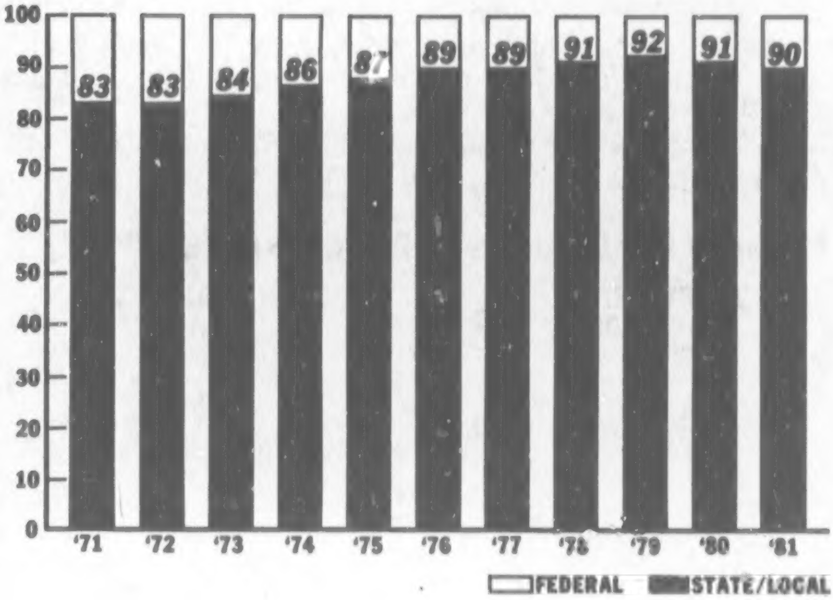


* THE 1975 FIGURE IS HIGH DUE TO THE EXPENDITURE OF APPROXIMATELY $23 MILLION OF IMPOUNDED FUNDS FROM 1973.

The next chart shows the shares of funding of these totals. You will note that in 1971, in vocational education, 83 cents of each dollar were State and local while only 17 cents was Federal.

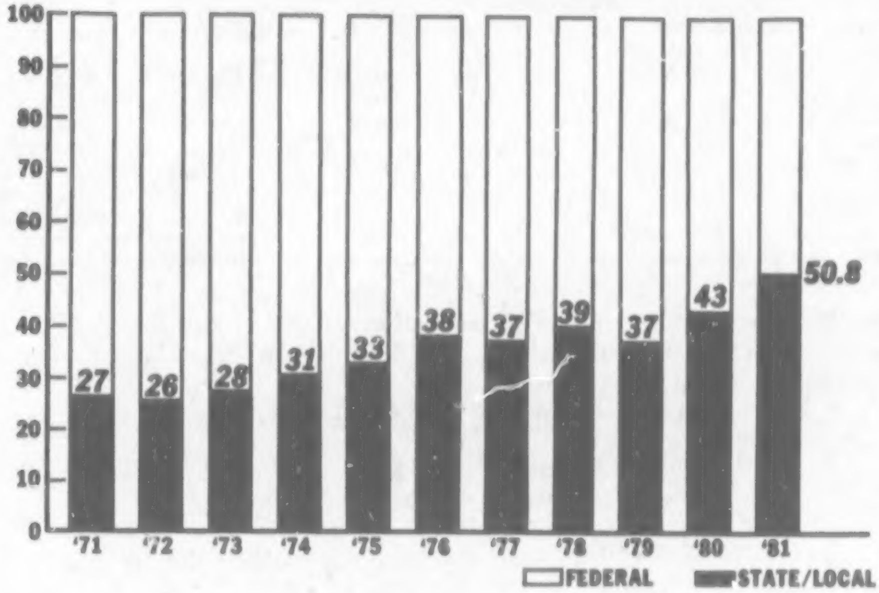
The most recent figures we have, for fiscal 1981, show that 90 cents of each dollar were State and local, while 10 cents of each dollar were Federal.

FEDERAL/STATE SHARE OF TOTAL VOCATIONAL EDUCATION EXPENDITURES



The next chart shows the Federal, State, and local share of adult education funding. You will recall that when the Adult Education Act first started under the old Economic Opportunity Act, it was 100 percent Federal. By 1971, it was 27 percent State and local. It has now moved up so that in 1981 it was 50.8 percent State and local.

FEDERAL/STATE SHARE OF TOTAL ADULT EDUCATION EXPENDITURES



NATIONAL DISCRETIONARY PROGRAMS

And the last chart shows the use of our discretionary funds under programs of national significance. Our 1984 budget request includes $2.2 million for the National Occupational Information Coordinating Committee, which funds State committees to determine job needs for the States; $4.4 million is for the National Center for Research; $5 million is for Indian programs, representing 1 percent of the total; and $800,000 is for curriculum coordinating centers, which last year saved the State and local governments an estimated $3.5 million by avoiding duplication of effort.

We are proposing $1 million for discretionary programs, demonstration and exemplary programs in corrections; and $1.5 million is for special projects, conforming to the national priorities that we have such as skilled work force development, national defense, entrepreneurship, and other such activities.

EDUCATION ACTIVITIES—1984 BUDGET

VOCATIONAL AND ADULT EDUCATION DISCRETIONARY PROGRAMS

	1982	1983	1984[1]
National Occupational Information Coordinating Committee (NOICC)	$2,100,000	$2,200,000	$2,200,000
National Center for Research in Vocational Education (NCRVE)	5,400,000	4,400,000	4,400,000
Indian programs	5,900,000	6,600,000	5,000,000
Curriculum coordinating centers (CCC's)	700,000	800,000	800,000
Corrections program			1,000,000
Special projects	900,000	600,000	1,500,000
Totals	15,000,000	14,600,000	14,900,000

[1] Fiscal year 1984 discretionary programs are less than 3 percent of the total requested for the vocational and adult education consolidation.

Our budget proposal for 1984, as I pointed out in the chart, represents a 4-percent overall cut of the $7.5 billion local, State, and Federal investment in vocational education.

We would be pleased to answer any questions you might have, Mr. Chairman.

FEDERAL, STATE, AND LOCAL FUNDING

Senator WEICKER. Well, just so that I don't let this one fly by, you say it represents a 4-percent cut of the total of Federal, State, and local moneys, what is the percentage cut from Federal moneys?

Dr. WORTHINGTON. Thirty-nine percent.

Senator WEICKER. Why don't we say that? I am getting so tired of this administration coming in here and just trying to fog up the whole area so nobody understands what you are doing. We are not handling the State budget here; we are not handling the local budget here. It is Federal and, it is a 39-percent cut in the Federal commitment; is that correct?

Dr. WORTHINGTON. You should keep in mind that under the Federal regulations, the States have to report State and local expenditures, and they have to include them in their State plans. It is not——

Senator WEICKER. I understand what you are doing, what the administration is doing.

Dr. WORTHINGTON. We do have to do that.

Senator WEICKER. Let's make it clear if there are any members of the press here, just so we all understand, the administration is cutting 39 percent, not 4 percent.

Dr. WORTHINGTON. We are talking about the delivery of services, the overall money available for delivery of services.

Senator WEICKER. We are talking about our commitment. A 39-percent cut in the budget that I am responsible for, that you are responsible for, the administration is responsible for, the Congress, et cetera.

Dr. WORTHINGTON. That's correct.

Senator WEICKER. All right, that's what we are going to talk about.

Boy, what a way to start off the day. One of these days, I would like to have some member of the administration come in here and clearly set out what it is you are doing. We can all agree or disagree, but at least, we don't have to cut through this devious approach to the budget.

Dr. WORTHINGTON. I don't consider it devious at all.

Senator WEICKER. Well, I do.

Dr. WORTHINGTON. We were giving you the facts for the total program, State, local, and Federal. This is a partnership program. The Federal Government only invests 10 percent of the total.

Senator WEICKER. Would you like to tell us about the partnership? Is this law? In other words, the way you are presenting your budget right now, is it present law?

Dr. WORTHINGTON. No; we are presenting it in the context of our proposal.

Senator WEICKER. It is not even based on present law?

Dr. WORTHINGTON. It is based on our proposal which we think is excellent.

Senator WEICKER. Which you think is excellent. Has it passed? Is it law?

Dr. WORTHINGTON. It hasn't yet.

Senator WEICKER. All right, what happens if your proposal doesn't pass?

Dr. WORTHINGTON. Obviously, we follow the present law and present regulations.

Senator WEICKER. Then, what would the breakdowns be? What would you do?

Dr. WORTHINGTON. Well, as far as the present law, we would continue to administer as it is, if Congress doesn't see fit to accept our proposal.

Senator WEICKER. Would the amount still be the same? What amounts would be requested?

Dr. WORTHINGTON. We are still requesting the same amount.

Senator WEICKER. The 39-percent reduction?

Dr. WORTHINGTON. That's correct.

ADMINISTRATIVE SAVINGS

Senator WEICKER. And what would be the effect? You tell me that one of the reasons for the lower request is the fact there will be administrative savings. All right, now, let's make the assumption that the law does not pass. Then, what does this mean?

Dr. WORTHINGTON. Well, it means that we would still have to administer the present law which is fraught with redtape and infringement on the States' administrative authority.

Senator WEICKER. How much of the $500 million, in other words, or rather of the $323 million reduction, the 39-percent reduction, in vocational and adult education can be attributed to administration?

Dr. WORTHINGTON. With the help of our Budget Office, we have estimated that as much as $75 million could be saved. This, of course, also includes some of the requirements we presently lay on the States in long-range planning, 1- and 5-year plans, State advisory council work, public hearings, a whole lot of additional work which is presently required.

Senator WEICKER. So at the very least, if the law is not passed as you want it, you would add $75 million to the $500 million?

Dr. WORTHINGTON. No; our request is for $500 million, period.

Senator WEICKER. So in that instance, it is $75 million less in the way of services if this proceeds.

ADDITIONAL SOURCES OF SUPPORT

Dr. WORTHINGTON. We want to point out, however, Senator, that from the Job Training Partnership Act, we expect at least $150 million to go to vocational education, and probably even more. If the vocational education delivery system very aggressively pursues these funds, we wouldn't be surprised to see them getting at least 20 percent of that money for vocational education.

We are also putting on a major effort to involve the private sector much more than we have in the past to improve the collaboration between vocational/technical and adult education and business, industry, and labor, to get more input from the private sector than we ever did in the past.

Senator WEICKER. The private sector is going to do the job; is that it?

Dr. WORTHINGTON. We hope they will help much more than they have in the past.

Senator WEICKER. What happens if the help isn't there? What happens to a person who needs the funds?

Dr. WORTHINGTON. We will, for example, expand our cooperative vocational education program. The estimates now report over 600,000 young people enrolled in that. They are using the facilities in the private sector on a daily basis. And those young people last year earned some $2.5 billion on which they paid taxes while they were in school. We can expand that program with very little additional expenditure.

Ms. CHRISTENSEN. Mr. Chairman, in fact, we propose a greatly expanded work/study program. At least $86 million of it would go into vocational/technical schools. So if you added that plus the $150 million in the Job Partnership Act plus the $75 million for administrative savings, you would virtually offset the $300-plus decrease that was——

Senator WEICKER. How does the work/study program work in this?

Ms. CHRISTENSEN. A certain amount——

Senator WEICKER. I understand the work/study program, but I don't understand how that makes up this decrease.

Dr. WORTHINGTON. There are some 1,100 postsecondary institutions, technical institutions, community colleges, area vocational technical centers, for which students are eligible for that program. We expect that would make a major input.

Senator WEICKER. On Monday, the Secretary testified that a $150 million increase in the Job Training Partnership Act would help to offset the proposed decrease of $324 million proposed for vocational and adult education programs for fiscal year 1984.

However, while the dislocated worker program is scheduled for a $215 million increase, the block grant is proposed for a reduction of $295 million. Thus, it appears that the Job Training Partnership Act would propose to incur a net cut of $140 million.

In that light, how does the proposed reduction in vocational education funding square with the view that the Job Training Partnership Act will make up for fewer funds in vocational education?

Dr. WORTHINGTON. Because, as I pointed out, we feel that the vocational education delivery system will aggressively seek those funds as they have in the past under the old Manpower Development Training Act and CETA. And vocational education will do a large proportion of the training under contract with the private industry councils and the Governors' State manpower planning councils. We are quite confident that will happen.

Senator WEICKER. It isn't going to be made up in the Federal budget either. You are anticipating it is going to be made up in the private sector or State and local?

Dr. WORTHINGTON. State and local, yes, sir. There is an 8-percent JTPA set-aside, as you know, that goes directly to education at the State level, in addition to the amount of money that vocational education will get by submitting proposals to the private industry councils at the local level.

STATE AND LOCAL OVERMATCH

Senator WEICKER. One justification for the proposed $324 million reduction in fiscal 1984 in vocational and adult education has been the consistent overmatch by States and local governments, which is now about $11 State and local to $1 Federal, on the average.

Are we not penalizing the States for overmatching Federal dollars?

Dr. WORTHINGTON. Well, we don't think so. The program has been essentially a State and local program as our chart points out. Vocational education has ranged from 83 to 90 percent State and local. And we expect that to stay at about that same level over the next few years, at least during this interim period when we are phasing out vocational and adult education and devolving it back to the States under the New Federalism.

Senator WEICKER. Well, how would you equate the poor financial condition of the States at the present time and the increased need for vocational training by virtue of the recession/depression? So with those two factors in place, I don't understand how we are going to do the job with fewer Federal dollars; I really don't.

We all understand the financial plight of the States. With the exception of Alaska and maybe Texas, they are in horrible shape. There is no way they are going to increase their budget for vocational training.

Never has there been a greater need for vocational training by virtue of the economic times. Now, why is this the time to cut back on the Federal commitment?

Dr. WORTHINGTON. Well, we feel that discretionary programs can be reduced, and vocational and adult education is one of those because of the fact that it does enjoy such strong support at the State and local level. We have no reason to believe that the States and local communities have cut back on their investment. They have the facilities out there and the students are there. The demand is there at the local level.

Senator WEICKER. The money isn't.

Within the last week, the Connecticut State Department of Education has notified schools they will have to seek alternate sources of funds for adult and vocational education because of cutbacks.

Dr. WORTHINGTON. We are hoping that with the improvement of the economy—the reduction of inflation, reduction of interest rates, that the President's program has elicited—by the first of July 1984—keeping in mind this is an advance funded program—the economy will have picked up so industrial States like Connecticut and others will be in much better condition financially. We firmly believe that will happen.

IMPACT OF THE REDUCTIONS

Senator WEICKER. I think both you and I realize that unemployment is a lagging statistic, a lagging situation.

The help is needed now as far as vocational education is concerned. And yet, in effect, there is going to be less assistance out there at the very time when this is needed. It is going to be picked up by the State and local governments. It is going to be picked up by private enterprise. There is the first assumption.

And clearly, I have already responded for one State, Connecticut. And there are many others like Connecticut that are ordering cutbacks because of their economic plight.

We then have the assumption that the economy is going to be of such a nature that the additional moneys will be there. And don't forget we are not talking about 2, 3, 4 years out now; we are talking about fiscal year 1984.

Dr. WORTHINGTON. Fiscal year 1984, correct.

Senator WEICKER. That means we are talking about October of this year.

Dr. WORTHINGTON. The funds that are appropriated would be advance funded. So it would be——

Senator WEICKER. So we are talking about 1984.

Dr. WORTHINGTON. The school year of 1984-85.

Senator WEICKER. All right.

We have also made assumptions that a new law is going to be passed by Congress which hasn't been passed at all. We make assumptions that this is going to be picked up in other portions of the budget.

It would be more honest to come in here and say we are going to take this cut, we don't have the money to do it, or we don't feel this is a priority, and leave it at that. I am not going to let this administration get away with hypocrisy and the President standing up here indicating the importance of retraining and vocational education, of getting people back to work, and then coming in with this kind of budget. The two do not equate.

It in fact passes the buck to everybody else out there except this administration. You have your right to state your position. But believe me, I think we have cut through the fog here as to exactly what that position is. It is less money and less Federal involvement in vocational education.

Dr. WORTHINGTON. That's correct.

As I pointed out, by 1988, hopefully, the States would be in total charge of vocational and adult education.

Senator WEICKER. In the Department, the reason why the Federal Government gets in—you are absolutely correct, seeing your statistics—it pretty much follows in every other endeavor: handicapped, vocational education, and education itself—it is only a small share. It has always been a small share.

But why is that share there? It is there because, in fact, it is geared to those activities or those persons with no constituency and yet being one nation, if you will, and feeling that there should be equal opportunity, the Federal Government makes up to those people what they can't get from their local and State communities.

So the absolute size of the share is not relevant to this chairman. Indeed, it means exactly that, we are doing what we should be doing, which isn't to play the godfather to everbody out there, but to those that are left on the side of the road by virtue of the smallness of their constituency insofar as the politics of the local or State level are concerned.

IMPACT OF NEW FEDERALISM

Dr. WORTHINGTON. Senator, as you point out, we are not proposing in the State fiscal assistance block grant proposal—or New Federalism—that we get totally out of the business of adult and vocational education. As a matter of fact, we would hope that we would be able to retain, at the Federal level such things as the clearinghouse on adult education, National Advisory Council for Adult Education, special projects for the elderly under adult education, and, under vocational education, programs of national significance, bilingual vocational training, emergency assistance for rural remote linkages, and other things.

We are not saying we want to totally get out of the business of leadership in vocational and adult education. We want to devolve to the States, with the revenue sources, the major responsibility for the funding of the——

Senator WEICKER. The guy that puts up the dough is the guy that leads. We can use all the high-sounding words from Washington, D.C., and believe me, if we want to forego leadership, that is the fastest way to go ahead and do it.

Dr. WORTHINGTON. Does it make sense for us at the Federal level to demand so much from the States when we are only putting in 10 cents on the dollar?

Senator WEICKER. On your theory, we shouldn't demand anything because we are not going to be putting up that.

Ms. CHRISTENSEN. I would like to make two points. First of all, the Federal level turnback is optional. Each State can decide on its own whether it wants to do that or whether it wants to maintain its participation in this program.

The second point I would like to make would be to emphasize what Dr. Worthington said about the 4 percent. I understand your point on the 39-percent reduction, but overall, there is only a 4-percent reduction share nationwide.

Senator WEICKER. That includes the local, State, and Federal budgets?

Ms. CHRISTENSEN. Right.

Senator WEICKER. I don't care about the local and State; I care about Federal reductions.

Let me say another thing just so that we also set the ground rules. Of course, any Senator is free to go ahead and speak for his own point of view, but I am not going to deal with what is not the law. This is not the law. You are coming in here with a budget request, and do I understand there is no law as the basis for your request?

Dr. WORTHINGTON. That's correct, Senator.

Senator WEICKER. I will not operate this committee that way. We are not a legislative committee; we are an Appropriations Committee. If we start to speculate—do you want to speculate?

Yesterday, on the floor of the U.S. Senate, a Democratic colleague of ours, Senator Bradley, passed a resolution saying there would be no more cuts in the Federal education budget.

Now, I mean if we want to start to speculate, I assume that probably isn't going to become law. Let's start speculating about what the Senate is doing. I can't run this committee based on that type of an operation. And I can't run it on what you people are speculating on. I have got to run this committee on the basis of what the law is today.

And the law is not what I see before me on these graphs in terms of your presentation. You indicate $75 million of the cut will be the savings, the administrative savings, achieved if we accept the proposal of the administration. So I assume if we—and as I say, I am going to conduct these hearings on the basis of what the law is today—we just put $75 million back right away.

STATUS OF THE CONSOLIDATION PROPOSAL

Dr. WORTHINGTON. Our proposal, by the way, Senator, we expect to have up to the Hill in about 2 weeks. We have involved some 35 major organizations, education and business and industry and others in reviewing the proposal that was introduced last year by Senator Hatch. And we are proposing to make some modifications that will reflect the feelings of these groups.

But we will not have that here for a couple of weeks. We are hoping it will be accepted by the Congress.

Senator WEICKER. I am reminded that the Authorizing Committee is supposed to have their legislation out of committee by the end of March. And they have not even received it yet. I sit on the Authorizing Committee also. I can tell you right now, there is no way this legislation is going to be passed by the end of March.

I think we better lay our plans on what we have today.

Dr. WORTHINGTON. Of course, if Congress does not accept our budget proposal, obviously, we will administer the present law as we are required to.

Senator WEICKER. But then, there is a whole group of assumptions that all of a sudden fall right out of the bank account. You are in here with $500 million, saying this is going to be adequate for vocational education needs. But, indeed, the $323 million cut is not, so the $75 million comes out of the Federal administration, et cetera, and all the propositions suddenly are misplaced.

ADULT ILLITERACY INITIATIVE

Dr. WORTHINGTON. I also should add, we are launching a program to combat illiteracy with some 400,000 volunteers around the Nation. We want to involve more of the private sector and volunteers to help us expand this program while there is a decrease in the Federal involvement. That is our overall goal.

Senator WEICKER. From the outset, I had my doubts that State and local goverments, volunteers, and the private sector could take up the slack left by the Federal Government stepping off the field. I have been right; they haven't been able to take up the slack.

I am not saying there haven't been some greater efforts in certain instances. But the fact is that the constituencies are not being served. Business is not in the business of Government, and it is not in the business of philanthropy. It is in the business of business. And that is quite proper as far as I am concerned.

Ancillary to that is whatever they care to do for Government or whatever they care to do for charity—ancillary.

As far as volunteers are concerned, everybody is running around so hard to keep their heads above water, they are finding it very difficult to take care of themselves, never mind go ahead and take care of somebody else. It was all a great speech. It is all great stuff for speechmaking by certain persons, but it does not do one darn thing for that person who needs—in this instance—the vocational training or the education as an adult.

And I can understand some modest shift of funding of priorities, et cetera. I understand all of that. But this is cruel.

Senator Proxmire.

IMPACT OF THE CONSOLIDATION

Senator PROXMIRE. Mr. Secretary, the justifications indicate that in connection with the block grant proposal, the precise uses of these funds and the number of persons served—and these are the words you used—"should be entirely the responsibility of State and local authorities."

Therefore, it would be difficult to project the impact of the new legislative proposal if, in fact, the success or failure of the proposal depends on enrollments.

Is that a responsible way to appropriate funds?

Dr. WORTHINGTON. Under our proposal, the States would still submit a proposed use report to show how they are going to use the funds, to show that they are going to serve the special populations. Equal opportunity and all the other Federal requirements would still have to be responded to in a proposed use report.

Senator PROXMIRE. Would they do that in advance?

Dr. WORTHINGTON. They do that in advance. And annually, they would have to submit a report to document how they had followed the Federal law. We are not just putting the money on the stump and running as some people have said. We are going to monitor. There will still be auditing. There will still be all the applicable Federal laws to be followed. We will see to that.

It will just be a different way of allocating the money to the States with much more flexibility. Our proposal would only require, as I mentioned before you came in, Senator, that the States spend no more than 4 percent for administration of these funds; that they spend 30 percent for economic development; a minimum of 30 percent for program improvement; and 13 percent for adult basic education.

That would leave the States total flexibility for an undesignated 27 percent. So the States could do what they want to. It would be more like the original act of 1963 which gave the States great flexibility. Everytime you have amended the 1963 act——

Senator PROXMIRE. Then you are just putting money on the stump and running with the 27 percent.

Dr. WORTHINGTON. The 27 percent would still be within the law.

Senator PROXMIRE. Except the States can do anything they want to with the funds.

Dr. WORTHINGTON. If they want to put it in economic development or adult basic education, they can do that with the 27 percent. They would also have to show in their proposed use report, though, how it would be done.

SERVICES FOR SPECIAL POPULATIONS

Senator PROXMIRE. The chairman has pointed out, I think with great effect—it certainly impresses me—that most of the Federal contribution to education has been designed for special groups that are otherwise not given the kind of consideration and justice we feel American citizens should have.

One of your charts shows the overwhelming proportion of vocational education money is raised locally. That is why it seems to me that it would be desirable for us to target the Federal money we do provide to make sure the funds go to the people who otherwise would not get the kind of assistance they need.

That is what I had in the back of my mind. You are confident that this system of advance reporting and then following up, monitoring, the use of the funds to see that the plan is adhered to will do the job?

Dr. WORTHINGTON. We are confident it would. The States have undergone a very dramatic change in their philosophy of vocational and adult education over the last decade. The States have expanded vocational education for the handicapped. They have——

Senator PROXMIRE. Suppose the States neglect a specific group of handicapped citizens and don't do the job they should do. What tools do you have to bring them back into line?

Dr. WORTHINGTON. The Secretary can issue a cease and desist order.

Senator PROXMIRE. Of course the Congress hasn't passed this new legislation as yet, but would you expect the Secretary to do that?

Dr. WORTHINGTON. On occasion, such activity has occurred under the U.S. Commissioner of Education. I am not sure whether this Secretary has done any recently. I couldn't tell you that. I would have to check it out.

STATE AND LOCAL OVERMATCH

Senator PROXMIRE. On page 174 of the justifications, you say vocational and adult education programs enjoy a consistently high overmatch of State and local Federal funding, and that given the popularity of these programs, it is likely overall funding would be maintained at a stable level.

Isn't that a generalization? For example, in 1979, the match for the disadvantaged was $3 State and local to $1 Federal. For the handicapped, it was $2.50 to $1. And for the limited English speaking, the match was $4.50 to $1.

What are the current figures in those areas?

Dr. WORTHINGTON. Do you have those?

I think we might have those.

This is Kent Bennion, Deputy Director of the Division of Vocational Education.

Mr. BENNION. The last year we have, school year 1980–81, Federal funds for handicapped were $68 million, and non-Federal $157 million.

For the disadvantaged, the Federal funds were $134 million.

Senator PROXMIRE. Let me see if I can work that out. For the handicapped, it was what, $167 to——

Mr. BENNION. $157 to $68.

Senator WEICKER. About $2.50 to $1 also.

You are talking about what it was in what year?

Mr. BENNION. 1980–81 school year.

Dr. WORTHINGTON. That is the last year for which we have all the statistics from the National Center for Education Statistics.

Senator PROXMIRE. Do you have the matching figures for the disadvantaged?

Mr. BENNION. $134 million for the disadvantaged from Federal to $384 million from non-Federal.

Senator PROXMIRE. What are the matching figures for the limited English speaking program?

Mr. BENNION. I didn't bring that. I would have to pull that out.

Senator PROXMIRE. Can you do that for the record?

Dr. WORTHINGTON. Be happy to provide that.

[The information follows:]

EXPENDITURES FOR THE LIMITED ENGLISH PROFICIENT

For school year 1980–81, VEDS data indicate that some $26.7 million was expended on vocational education services for the limited English proficient. Of this amount, some $7 million was Federal money and $19.7 million was non-Federal.

STATE AND LOCAL ACCOUNTABILITY

Senator PROXMIRE. How do you propose to make the States more prompt in reporting program performance? Isn't the administration strategy to keep everything in a holding pattern until the Congress accepts or rejects the administration's proposed legislative changes, which would take effect in fiscal year 1985?

Dr. WORTHINGTON. No; I think the States are still accountable for their expenditure of vocational and adult education funds under the present regulations.

Senator PROXMIRE. You say you are going to make the States more accountable. How would you make them more accountable in 1984? Or do you wait until 1985 to do that? That is my question.

Dr. WORTHINGTON. Did I say we would make them more accountable? I would say we would probably make them just as accountable as they have been in the past. We would not have the prescriptive requirements that they set aside a certain percent.

If you look at the present legislation, we have set-asides within set-asides and subset-asides. We would like to eliminate that because it creates too much redtape. We think the States will continue those priorities, and our legislative proposal would list all of those priorities and would ask the States to respond. And the States would have to describe in their proposed use reports how they would respond to those national priorities such as handicapped, disadvantaged, limited English speaking, and all that.

In addition, we would maintain at the Federal level up to 10 percent of the total Federal appropriation for various programs for targeting on all these special groups. For example, for skilled work force shortages or displaced workers who may need special attention. We could target those discretionary funds in areas of special need. And they would serve to stimulate additional local and State funding, we believe.

CHANGING ECONOMIC NEEDS

Senator PROXMIRE. Historically, the Federal Government's involvement in vocational education has been in response to national needs. The program permitted us to make a prompt accurate adjustment to the post-war economic situation.

Right now we are very much aware of the tremendous shift in our economy from steel, the reduction in the number of people necessary to produce automobiles, and so forth.

As a matter of public policy, isn't it in the national interest that we assume a more decisive role in vocational education in view of the national need to shift our skills?

Dr. WORTHINGTON. We have not said we would abandon the leadership role.

Senator PROXMIRE. How do you exercise that more decisive role with what seems to me to be—maybe I am unfair—such a relatively passive control mechanism?

Dr. WORTHINGTON. Our proposal, for example, to set aside up to 10 percent of the total appropriation for the Secretary's discretion would permit us to address certain types of priorities.

For example, we have four national task forces at work. One is at work on high technology and robotics; another on defense preparedness in vocational education; another on entrepreneurship and small business, helping a person through vocational education to get into small business and survive that way and create new jobs. And a fourth task force is on the private sector, trying to improve the collaboration between vocational/technical and adult education, business, and industry. We think that those are examples of high-priority leadership that we are exerting and would continue to exert.

Senator PROXMIRE. How do you exert that leadership without controlling the funding?

Dr. WORTHINGTON. You exert it through information dissemination, calling groups together, by communications, by making available to the State leadership some of the latest innovations in those fields and encouraging them to do that.

I have served in administrative positions in three States, and I know how those things evolve. The national priorities are responded to by State administrators in vocational and adult education, and they will continue to be, I believe.

CONSOLIDATION PROPOSAL

Senator PROXMIRE. Secretary Bell recently said the forthcoming proposal to block grant vocational and adult education is essentially the same as the program that was submitted to the Congress last year. What evidence do you have that the present Congress will endorse such a measure, given the fact it was rejected last year?

Dr. WORTHINGTON. We have proposed some modifications which are under consideration which we think respond to some of the objections of Congress and the various groups. We have responded to those, and we hope that within 2 weeks, we will have a modified proposal that will take into consideration some of those concerns.

I could mention some of those concerns if you would like—concerns such as specific set-asides for the handicapped, sex equity, special programs for the disadvantaged, those kinds of things. We do have those under consideration, and we feel that Congress, once they see that proposal, will be much more receptive.

As you know, your colleague, Senator Hatch, did introduce a version of our proposal last year.

Senator PROXMIRE. Thank you, Mr. Chairman.

I have some questions I would like to submit for the record.

Senator WEICKER. Senator Proxmire, those questions will be submitted for response to the record.

TRAINING FOR DEFENSE NEEDS

You know, the irony of reduction in vocational training is that the administration, as I understand it, has a request for a rather substantial increase in defense spending. Are you aware of that?

Dr. WORTHINGTON. Yes, I am.

Senator WEICKER. A big, big increase.

So let's for a minute go along with this big increase. Where are we going to get the people to do the work?

Dr. WORTHINGTON. We have been working since early 1981 on a joint task force with the Department of Defense. We have held one national conference jointly with the Department of Defense on vocational education and defense preparedness. We have involved the suppliers, the defense industrial base; we have involved the active military and the reserve in getting at this problem.

Then there is a National Skilled Work Force Task Force, which represents primarily the precision metals industry. You may have seen an article about it the day before yesterday on the front page of the Wall Street Journal. We are working with them to get at this problem.

The skilled work force shortages that we think will impact mostly on the defense preparedness, particularly on production, would be those in the precision metal-working field. We are meeting next week, as a matter of fact, with that task force again to work on that problem.

One of the problems we have in that particular program is not the lack of money to train the people; it is getting the young people interested in going into a precision field that requires considerable commitment and lengthy training. That is one of the things we want to overcome through better guidance and counseling and recruitment techniques in the field.

Senator WEICKER. Defense money is already in the pipeline. Defense money has already been spent. The workers aren't there. And at the time when there is admittedly a shortage of these people, you are cutting back on vocational training. I don't understand.

We have a task force, you have previously mentioned, I believe, a task force committee. Meaning you need to train people for these jobs?

Dr. WORTHINGTON. That is exactly what we are trying to do. We are trying through these national task forces to identify ways that we can respond to the worker shortage that is evolving and, will become slightly more severe if the defense budget is approved as proposed.

ADULT ILLITERACY

Senator WEICKER. The Department of Labor recently estimated up to 75 percent of the unemployed in our country lacked necessary basic skills in reading and communication. Secretary Bell has testified before the Congress as many as 75 million persons are functionally illiterate or operate at a marginal level or below.

Now, we also are having a substantial decrease in adult education. And in the adult education area, we are at a 1-to-1 ratio.

Dr. WORTHINGTON. Just about 50/50.

Senator WEICKER. Now, I don't understand how we are ever going to achieve anything in the vocational education area if indeed we have these statistics before us insofar as illiteracy is concerned.

And we are also reducing the adult education fund.

Dr. WORTHINGTON. We recognize that, Senator, but as I mentioned earlier, we are attacking this problem, working with many groups around the Nation. As a matter of fact, we had a meeting at the White House just 2 weeks ago to discuss this. And you will hear more about this when it is officially announced.

But we expect we will enlist between 400,000 and 500,000 volunteers to assist in getting at this problem of illiteracy. Your own State is one of the model States for using volunteers and using the private sector in adult education.

I would like to ask my colleague Mr. Delker also to respond to your question.

Mr. DELKER. Senator, there are about 12 States which, as a matter of policy, are utilizing volunteers in adult education. And a few of these States are experiencing unusual success in retraining.

We think by assisting the other States, building on the experiences of the successful States, we can significantly increase the effective use of volunteers over the period in which we are talking, between now and when this cut would take effect.

Dr. WORTHINGTON. As a matter of fact, we estimated that we could serve an additional 400,000 persons in adult basic education through voluntarism. And we will try to step that up in subsequent years.

SET-ASIDES FOR SPECIAL POPULATIONS

Senator WEICKER. Under current law, States must spend 10 percent of their vocational education grants on handicapped students and 20 percent on disadvantaged students. The administration's proposed $500 million vocational and adult education block grant would eliminate both set-asides.

What evidence do you have to assure the continuation of services to these groups that would warrant the dropping of these targets?

Dr. WORTHINGTON. Well, as I pointed out, our revised proposal has taken under consideration those two set-asides. I am not at liberty as yet to divulge what we are proposing, but we are giving serious consideration to those two populations.

As you know, the vocational education community at the secondary level, grades 9 to 12, is serving about 36 percent of the handicapped population presently. And down through the years, since I first became involved in State administration in the early 1960's, vocational educators have made a serious effort to work with rehabilitation and special education to solve this problem jointly.

I have no reason to believe that handicapped vocational education will decrease in any way because we have a national pattern of responsiveness.

Historically, vocational educators have responded to persons with special needs, both academic and physical needs. I think that——

Senator WEICKER. What was the last statement? I'm sorry.

Dr. WORTHINGTON. I said historically, vocational educators have responded well to persons with special needs. And we have reason to believe that State and local administrators of vocational and adult education will continue to do that.

Senator WEICKER. But you are not at liberty to divulge what it is you people are proposing?

Dr. WORTHINGTON. As I say, I have personally met with all the groups, virtually all the groups, in the handicapped field and have been involved in the handicapped field for many years. We are considering a different approach than what we suggested last year. Within 2 weeks, we hope to have that before you.

Senator WEICKER. That makes it a little difficult, doesn't it, to go ahead and compound a budget on what we don't have before us?

Dr. WORTHINGTON. Not really. We are requesting——

Senator WEICKER. First of all, we have a proposal, but you are saying, "I am not going to divulge what the proposal is yet." I am supposed to go out and appropriate money on the basis——

Dr. WORTHINGTON. We will have the proposal up here in about 2 weeks.

Senator WEICKER. Good.

Dr. WORTHINGTON. I can't personally deliver it. I have to get a lot of clearances. As you know, there are checks and balances in the Government.

Senator WEICKER. You are going to find that out.

VOCATIONAL EDUCATION DATA SYSTEM

It is my understanding that several categories of data have been dropped from the vocational education data system—VEDS—and the adult education system. Some categories which report the number of handicapped in specific programs were eliminated. Other categories were consolidated so that distinctions between the handicapped, the disadvantaged, and the limited-English speaking cannot be made.

Under your block grant proposal, what data collection from the States will you require?

Dr. WORTHINGTON. Well, we have attempted to reduce paperwork and administrative burden in the collection of data. And we have had a tremendous amount of complaints from, particularly, the LEA's and community colleges and others about the burden required, particularly by our VEDS data system. And we have made several reforms in that to eliminate the burden that is required.

Mr. Delker, do you want to comment on adult education? I know you have something on that.

Mr. DELKER. In keeping with that policy, Senator, we have reduced the data requirements in adult education to a very few items which we consider most essential and are relatively easy and cost free for the States to provide.

Now, as our need for additional data arises, we would look to sample surveys and periodic assessments, again our concern being not to burden the States with unnecessary data requirements on an annual basis.

Senator WEICKER. I gather this, then, must be another administration policy; if we don't hear about these people, they don't exist.

Dr. WORTHINGTON. We will still receive reports on enrollments as we do now, and, we believe, we will be able to respond to your request for data.

Senator WEICKER. About 20 years ago, there was minimal Federal involvement in most of these areas. Whatever was done had to be done at State and local levels. And in many States, very little was done. Other States did more.

I remember when I first came to the Congress in 1969, the State of Connecticut at that time was in the forefront of mental retardation, to the point where Congressmen from other States would go ahead and ask if their constituents could possibly get into the public facilities in the State of Connecticut.

Subsequent to that, the Federal Government got into the act, standards were raised nationwide, or established nationwide, to the point where today, the Federal standards are far better than would exist in the State of Connecticut. And, indeed, the State of Connecticut has slipped far behind.

Now, the reason why I tell this story is that somehow, I have got to impress upon those that appear before this committee that maybe we didn't need airline regulation, maybe we didn't need oil regulation, but when it came to human beings, these things weren't just dreamed up by some bureaucrat in Washington.

These standards came to pass because these human beings were left in the backwaters of knowledge and of care and of the human decency that is this country. And history absolutely—and that is our surest guide, not the speculation of conservatives or liberals or Democrats or Republicans, but history—shows us that left to their own devices, the States and the local governments and the volunteers and the industries are not going to meet the legitimate needs of these various categories of constituents by virtue of physical, mental, whatever, economic, racial, or other condition.

Now, I would hope in these presentations consideration is given, as I say, to eliminating the administrative burdens. But, what kind of burdens do you think these people have to carry with them?

Dr. WORTHINGTON. Quite a lot. As I said, I have been actively involved in promoting——

MATTERS OF SPECULATION

Senator WEICKER. I know, but everything that we are doing here today in the administration is a matter of speculation, talking about administrative burdens. Do you realize for a lot of these people, it isn't just a question of weathering the present bad set of economics? And this is the other part that is upsetting to me: In terms of those that are physically or mentally handicapped, 1 or 2 years' delay will probably determine the course of the rest of their lives.

In the sense of somebody who suffers from chronic poverty, if you will, it will determine the rest of his or her life in many instances. I can weather it, you will weather it, corporations will weather it; not these people.

And if we want to experiment, I have no problem in experimenting with all these big industries and all the rest of us that are big, fat, healthy, and what have you. But I just will not allow these lives to be experimented on. There just is no help coming for them either in terms of law or in terms of money.

Dr. WORTHINGTON. As I pointed out——

Senator WEICKER. I don't know what I have to do to point out to this administration that what they are gambling with here are human beings.

Mr. WORTHINGTON [continuing]. That vocational education, Senator, served approximately 500,000 handicapped persons in 1981. We have no reason to believe that vocational education will serve any fewer.

We have in many States special facilities that the vocational education community has provided. And we have a very responsive delivery system out there.

Senator WEICKER. Mr. Worthington, you can't possibly go ahead and serve as many people with $500 million as you did with $823 million. You can't do it.

I think you know that you can't do it.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I have further questions that I will submit for response to the record. And we will leave the record open for other Senators to also submit their questions for response.

Thank you very much.

Dr. WORTHINGTON. Thank you, Senator.

We would like to enter those charts as part of the testimony.

Senator WEICKER. The charts will be entered into the record.

Dr. WORTHINGTON. We would be very happy to respond to any other questions you have.

Thank you very much. Enjoyed being with you.

Senator WEICKER. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SET-ASIDES FOR SPECIAL POPULATIONS

Question: Under current law, States must spend 10 percent of their vocational education grants on handicapped students and 20 percent on disadvantaged students. The Administration's proposed $500 million vocational and adult education block grant would eliminate both set-asides.

What evidence do you have to assure the continuation of services to these groups that would warrant the dropping of these targets?

Answer: States have achieved measurable progress in serving the handicapped and disadvantaged in recent years. The first three years of Vocational Education Data System (VEDS) data indicate that enrollment of the handicapped went from 234,341 in 1978-79 to 400,575 in 1979-80 to 543,213 in 1980-81. For disadvantaged students enrollment went from 972,438 to 2,038,943 to 2,524,893. State expenditures for these groups rose accordingly and, on the average, are now well above the required matching level.

Given this progress, we do not believe that elimination of the spending set-asides will have an adverse impact on the special needs populations. The States now have the capacity -- in terms of trained personnel and established special programs and support services -- to continue providing the necessary services. Under the consolidation bill, States would be required to describe, in their Proposed Use Reports to the Department, how they will use Federal funds to provide equal educational opportunity to the handicapped and limited English proficient. The Department would not have the authority to fund State programs which did not comply with this legal requirement. Through this mechanism, it should be possible to ensure an acceptable level of services to the special needs groups while allowing the States some needed flexibility in allocating resources.

ADULT ILLITERACY

Question: The Department of Labor recently estimated that up to 75 percent of the unemployed in our country lack necessary basic skills in reading and communication. Secretary Bell has testified before Congress that as many as 75 million Americans are functionally illiterate or operate at a marginal level or below.

What do you see as the responsibility of the Federal government in addressing such problems?

Answer: For the next few years, the Department remains committed to addressing the adult illiteracy problem through the adult education program. We have made substantial progress in implementing the 1978 Adult Education Act amendments, by expanding the range of providers and instructional sites and by eliciting State, local, and private sector contributions.

For the longer term, the Administration has proposed turning the adult education State grant program back to the States under the New Federalism initiative. When that occurs, the Department will retain a national leadership role in adult education by supporting efforts at research and development, dissemination, and demonstration.

Question: With the proposed 39 percent reduction in funding for vocational and adult education programs from the fiscal year 1983 levels, what efforts are reflected that will begin to address the immediate problems of adult illiteracy and widespread lack of skills necessary for employment?

Answer: The consolidation bill will permit increased activity in adult education. States will be required to use at least 13 percent of their grant funds for adult basic education, but they will be permitted to use as much as 40 percent. Thus the total amount allocated to adult education could go as high as $194 million better than double the current level of effort.

At the Federal level, we will soon announce a new initiative to increase the use of volunteers in adult literacy programs. We hope to enlist as many as 400,000 to 500,000 volunteer tutors to help in this effort. The initiative will build on successful State efforts at establishing volunteer adult literacy programs. For instance, in New Jersey, a project administered by Middlesex Community College has enlisted thousands of volunteer tutors (mostly college students and teachers) to assist in literacy efforts statewide. The project has had a great deal of success.

STATE AND LOCAL OVERMATCH

Question: Your justification for the proposed $324 million reduction proposed for fiscal year 1984 in vocational and adult education has been the consistent overmatch by States and local governments to Federal funds, which is now about 11 State and local dollars to one Federal dollar, on the average.

Are we not penalizing the States for overmatching Federal dollars?

Answer: The budget proposal is not intended as a punishment; it is a recognition that the Federal "catalyst" has had its intended effect. States and localities have responded to the Federal stimulus by greatly increasing their support of vocational education. The high rate of overmatch is evidence that the Federal appropriation, at the current level, is no longer needed for maintenance or even expansion of the vocational education enterprise.

Question: What signal does this send to the States?

Answer: Administration proposals to consolidate the vocational and adult education programs and eventually to send them back to the States through the New Federalism initiative are a clear signal that the Federal-State-local partnership has been a successful one. The consolidation bill and the 1984 budget signal an intention to provide the States, who already pick up so much of the cost of these programs, with increased flexibility, responsibility, and control. For the longer term, the Administration's submission of the State Fiscal Assistance Block Grant Act indicates an intention to return full responsibility for these programs to the States.

Question: Are we not encouraging States to match Federal dollars with fewer dollars of their own in order to keep the Federal dollars at a constant or greater rate?

Answer: Why would the States want to do that? We believe it is much more likely that the States will contribute more of their own money in order to offset Federal reductions and continue programs at stable or increased levels. State funding decisions are more likely to be based on student demand for vocational programs, program improvement needs, and State economic development strategies than on the desire to match the Federal contribution at a given rate.

JTPA FUNDS

Question: On Monday the Secretary testified that "a $150 million increase in the Job Training Partnership Act would help to offset the proposed decrease" of $324 million proposed for vocational and adult education for fiscal year 1984.

However, while the dislocated worker program is scheduled for a $215 million increase, the block grant is proposed for a reduction of $295 million. Thus, it appears that the Job Training Partnership Act is proposed to incur a net cut of $140 million.

In that light, how does the proposed reduction in Vocational Education funding square with the view that the Job Training Partnership Act will make up for fewer funds in vocational education?

Answer: Your numbers are correct. For fiscal year 1984, the Administration has proposed a budget of $1.886 billion for Title II of the Job Training Partnership Act (JTPA). This compares with $2.181 billion budgeted for parallel programs under the Comprehensive Employment and Training Act (CETA) in 1983. However, several factors involved in the transition from CETA to JTPA justify an expectation that a significantly greater level of funds will accrue to vocational education under the new legislation.

First of all, Title II of JTPA has an 8 percent education set-aside while under CETA the comparable set-aside was only 6 percent of funds available under Title II-B and C. This means that the set-aside will increase by at least $45 million in 1984. In addition, under transition provisions in effect for 1983, local areas may choose not to abide by the set-aside requirement, so the actual increase may be somewhat higher.

Second, JTPA is focused much more carefully than CETA on training rather than public service employment. This change will increase the opportunity for vocational education to participate in the program. Under CETA, vocational education (particularly in community colleges and area vocational centers) was heavily involved in training; because of the change in the law, we are optimistic that this activity will increase under JTPA.

Finally, the new program for displaced workers will present another prime opportunity for vocational education involvement. Participants will likely need a highly technical (rather than basic) education, and vocational educators will be eager to provide it. The displaced workers program was originally budgeted for $25 million in 1983, but another $85 million will be provided through the jobs bill. For 1984, the budget request is $240 million.

LABOR FORCE SEGREGATION

Question: Today's labor force is largely segregated on the basis of sex. It was reported in the press recently that women account for 99 percent of the nation's secretaries, 98 percent of dental assistants, and 97 percent of household workers, but only 3 percent of all engineers, one-half percent of plumbers, and one-fifth percent of electricians. This segregation produces a huge disparity between men's and women's earnings.

For example, the Federal Bureau of Labor Statistics estimates that a male plumber earns $347 weekly; an electrician, $398; and a welder, $420. A typist, however, earns an average of $189 a week; a female nursing aide earns $155; and a sales clerk, $140. Such wage differences are so pervasive that women overall earn only 59 percent of what men earn, and most working women earn less than $10,000 a year.

What information has the Department collected that shows changing trends in the percentage of female heads of households holding jobs?

Answer: The Department of Education does not really conduct any labor force surveys; we tend to rely on the Bureau of Labor Statistics (BLS) for this type of information. A BLS news release of August 10, 1982 (USDL:82-276) indicated that 5.9 million of the 9.7 million (61 percent) female heads of households were employed. In 1972, the figure was 3.3 million out of 6.2 million (53 percent).

PROGRAMS OF NATIONAL SIGNIFICANCE

Question: What would happen to Programs of National Significance under your block grant proposal?

Answer: Programs of National Significance would be replaced by an authorization for national discretionary programs. These programs would include the National Occupational Information Coordinating Committee, the National Center for Research in Vocational Education, the programs for Indian tribes and organizations (which is now funded as a set-aside from Subparts 2 and 3 of the Vocational Education Act), and other research, development, demonstration, and dissemination activities related to skill shortages or other particular areas of national concern.

Under last year's bill, the Secretary would have been permitted to reserve up to 10 percent of the appropriation for national programs. For fiscal year 1984, we are proposing to reserve $14.9 million, slightly less than 3 percent and a slight increase over the current amount available for national activities.

NATIONAL CENTER FOR RESEARCH IN VOCATIONAL EDUCATION

Question: In fiscal year 1983, the Congress continued funding for the National Center for Research in Vocational Education at Ohio State University, one of three programs funded under Programs of National Significance. Many questions have been raised as to the continued need for the National Center and the value of vocational education research separate from the research done at the National Institute of Education.

Specifically, how much of the $8,036,073 appropriated for Programs of National Significance will be directed to the National Center, since the figure is not broken out in any budget documents we have seen?

Answer: The Department intends to use $4.4 million of the funds appropriated for Programs of National Significance in fiscal year 1983 to support the activities of the National Center for Research in Vocational Education (NCRVE). This is approximately $1 million less than is being made available to NCRVE from the 1982 appropriaton; in that year the Congress enacted a $1 million supplemental for the Center.

NCRVE DUPLICATION WITH NIE

Question: To what extent does the National Center duplicate activities that could be undertaken by the National Institute of Education?

Answer: The National Center, through its activities funded under Programs of National Significance, does not duplicate the acitivities of the National Institute of Education (NIE). The National Center contract supports efforts in applied research and development (including preparation of handbooks, training modules, bibliographies, and other professional development materials), information for planning and policy development, evaluation, dissemination and utilization, clearinghouse, leadership development (through its Advanced Study Center and National Academy for Vocational Education), and center management.

By contrast, NIE activities in the area of vocational education focus on basic research (mainly through the NIE contract with the National Center for Research in Vocational Education, one of the 17 NIE labs and centers) and information dissemination (through the ERIC clearinghouse on Vocational Education, established at the National Center for Research in Vocational Education).

Perhaps, in explaining the unique function of NCRVE as recipient of the Department's largest research contract, it is most appropriate to let the Center speak for itself. In the recent NCRVE annual report for 1982, Executive Director Robert E. Taylor summarized the Center's activities during the final year of its initial five-year contract with the Department. Herewith we present Dr. Taylor's summary, unannotated and unabridged.

"EXECUTIVE DIRECTOR'S RESUME

"This resume of activity and progress of The National Center for Research in Vocational Education is the final yearly report of operation, covering the period February 1, 1982 through January 15, 1983. The purpose of this resume is to highlight the accomplishments and fulfillment of fifth-year obligations of the National Center contract. Subsequent sections of this progress report will focus on each National Center function.

"All twenty-nine planned tasks were initiated and were successfully operationalized. Baseline Management Schedules and detailed work plans were utilized for all tasks by task managers and by Center management. Use of consultants, technical panels, and involvement of field sites actively contributed to the conduct of the contracted scope of work as planned and approved.

"The advantages to be gained from interface and articulation within and between functions were apparent. Interface occurred both formally (through management meetings) and informally. Function and major task directors met on a monthly basis with planned agendas and presentations to facilitiate interaction and exchange of ideas that ensured appropriate articulation in a timely and systematic manner.

"Throughout the year, staffing remained at a level of 99 percent or above. A continued and concerted effort was made to employ unique professionals with specialized background, experience, and expertise. We maintained and will continue to maintain a strong organizational commitment to affirmative action.

"Financial status, expenditure rates, and contract provisions were closely monitored. Rescheduling and modification of the scope of work was necessary in a few selected tasks. The main confounding factor that affected the majority of modified scopes of work was the securing of timely external contributions, interactions and approvals. These external contacts involved efforts that by their very nature reduced the degree of control available to the contractor. Nevertheless, these factors were critical to the successful performance of the overall scope of work. In several other cases, rescheduling of activities made it possible to take advantage of special circumstances that afforded unique opportunities for increased responsiveness to the needs of the field. Temporary staffing, use of consultants, reallocation of resources, and structuring of concurrent actions were feasible and have served as corrective actions. The quality and focus of deliverables proposed were enhanced as a result of these measures.

"In the fifth year of activity, the relationship between the National Center and its sponsor continued to be productive. Communication and timely interaction served as keys to effective and efficient interaction. Special efforts were made to facilitate interfacing with other major federal sponsors in order to ensure productive dialogue, nonduplication of efforts, and effective planning.

> "The National Center contract operated fully and progressed as planned across all functions and their associated tasks. Center management actively planned, monitored, and articulated all activities of the fifth year to ensure successful performance, the completion of the 194 deliverables, and meaningful contributions to nationally significant priorities and concerns."

NCRVE BUDGET

Question: What portion of NCRVE funds are spent on commissioned papers, conventions, and travel, in contrast to basic research?

Answer: During 1982,the Center used about 6 percent of its funds for commissioned papers, conventions, and travel. Applied research and development, planning and policy studies, and evaluation accounted for about 36 percent of the budget.

NCRVE EVALUATION

Question: When was the last independent audit and evaluation of the National Center's programs?

Answer: In October, 1982, Technassociates, Inc. of Rockville, Maryland, under contract with the Department's Planning and Evaluation Service, completed an evaluation of the written products produced by NCRVE between January, 1978 and January, 1982. The contractor brought together a panel of experts in the social sciences, vocational education, and other areas of education and training to assess a total of 76 written deliverables. This project was unique, in that it was the first evaluation of NCRVE's written deliverables to be supervised by an agency without a direct interest in the outcome; it was the first systematic review of NCRVE's written products spanning virtually the entire length of the initial five-year center contract; and it was the most intensive one-time examination of any aspect of NCRVE's work to date.

The major findings of this evaluation are briefly summarized as follows:

- Compliance -- NCRVE has complied with Federal contracting requirements. The center has prepared written deliverables in all functional areas required by Congress and the Department and aimed at virtually every group with some interest in vocational education. However, NCRVE has not produced deliverables which provide the basis in research, development, and dissemination for the primary objective in Federal vocational education policy, namely, systematic improvement in the quality and effectiveness of vocational education services.

- Target audiences -- While NCRVE has addressed its research, development, and dissemination deliverables to many audiences, it has provided comparatively little assistance to interests that control the overall direction of vocational education policy (such as the Congress, State legislators, governors, mayors, and employers).

- Utility -- While practicing vocational educators are likely to find many of NCRVE's products useful in dealing with routine operational problems, policy makers who have a need to understand the workings of the vocational education system are not likely to find the products very useful.

- Knowledge -- NCRVE has helped to distribute research about vocational education, but it has added very little that is new to the existing fund of information.

- Quality -- The editorial quality of NCRVE's written products has ranged from good to excellent, but the scholarly quality has varied more widely. Several panelists rated some of NCRVE's products highly. Most felt that the work did not reflect the most current research methodologies and that it would not compare favorably with the nation's best public policy research.

- Improvement -- NCRVE's products could be helpful in solving routine problems, but they would be unlikely to lead to significant improvement in vocational education.

- Management -- The written deliverables suggest that NCRVE has been well-managed in routine administrative matters, but less well managed in such critical areas as resource allocation and product standards.

Based on these findings, the panel made several recommendations to the Department for improvement of the Center contract. Copies of the complete Technassociates report have been provided to Senate Subcommittee staff.

SOURCES OF NCRVE FUNDING

Question: For the past five years, what has been the amount of the Center's budget from Federal vocational education sources? From non-Federal sources? (Could this be provided for the record?)

Answer: During the past five years, about 50 percent of the Center's funding has come from Federal vocational education funds. Another 30 percent has come from other Federal sources (chiefly the National Institute of Education, with some additional support from the Department of Labor). Some 20 percent has come from non-Federal sources, such as private businesses and labor unions.

ADMINISTRATIVE SAVINGS

Question: The Secretary testified on Monday that $50 million to $75 million would be "saved" in administrative costs were the Vocational and Adult Education block grant to be adopted.

Are we to understand that $50 million to $75 million is being wasted in administering this program and, if so, where does the fault lie -- with the Department -- with the States?

Answer: The fault lies not with the Department, nor with the States, but with the current Vocational Education Act, one of the most administratively cumbersome and downright wasteful education statutes on record. Under current law the States must use large amounts of their Basic Grant and Program Improvement dollars for compliance with statutory requirements regarding, planning, evaluation, public hearings, operation of various councils and coordinating bodies, employment of sex equity coordinators and other administrative personnel, and collection of VEDS data. The proposed consolidation bill would eliminate most of these requirements, leaving a streamlined program in which States would comply with a few simple requirements and in which the great preponderance of Federal dollars would be used for providing educational services to students.

Question: The Administration's proposal to establish a block grant for vocational and adult education for fiscal year 1984 suggests that reduction of paperwork and administrative burdens will allow States "to do more with fewer Federal dollars."

Specifically, how will more be accomplished with fewer dollars?

Answer: As we have noted above, the consolidation bill would eliminate most of the cumbersome and inefficient administrative requirements in the current Vocational Education Act. This will permit States to use a higher percentage of their Federal vocational education funds for actual services to students.

SPECIAL SERVICES FOR THE HANDICAPPED

Question: How can a consolidation budget meet the extra costs of vocationally educating special-needs students who require adaptive devices, instructional modifications, interpreters, etc., in order to benefit from instructional programs?

Answer: States will be required, in their Proposed Use Reports to the Department, to describe how they will use Federal funds to meet the needs of special populations, including the handicapped. For vocational students in secondary schools, the requirements of P.L. 94-142 would also apply. The Department is also considering additional provisions that might be added to the consolidation bill in order to ensure an appropriate level of services to the handicapped.

EDUCATION FOR THE HANDICAPPED

STATEMENT OF GEORGE A. CONN, ACTING ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:

EDWARD SONTAG, ACTING DIRECTOR, SPECIAL EDUCATION PROGRAMS

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENTS

Senator WEICKER. Now, we will hear from Mr. George Conn, Acting Assistant Secretary for Special Education and Rehabilitative Services.

I see where you have prepared and we have before us separate prepared statements concerning the education for the handicapped and rehabilitation services and handicapped research appropriations, which will be included in the record.

So why don't we handle these one at a time without bouncing back and forth so those attending the hearings can understand.

Mr. Conn, would you go ahead and introduce those who are appearing with you today?

Your statements will be included in the record in their entirety at this point. You can proceed in any way that you are comfortable.

[The statements follow:]

STATEMENTS OF GEORGE A. CONN

Education for the Handicapped

We appreciate this opportunity to present the fiscal year 1984 budget request for Education for the Handicapped. The request of $1,110,252,000 is the same as the 1983 appropriation level and an increase of $41,672,000 over 1982. Our request represents a significant commitment to special education in a time of great pressure for fiscal restraint.

While the overall funding level would remain constant between 1983 and 1984, the request includes a shift in emphasis away from Federal discretionary activities, which in some cases duplicate State responsibilities, and toward providing additional financial assistance to the States. The shift will permit an increase of $28,180,000 in the State Grant Program which is offset by reductions in a variety of discretionary Special Purpose Funds activities.

State Grants

The State Grant and Preschool Incentive Grants programs, which provide direct financial assistance to States, total $1,023,180,000 or 92 percent of our total budget request.

We are requesting $998,180,000 for the handicapped State Grant Program in 1984, an increase of $28,180,000 over the fiscal year 1983 appropriation of $970,000,000. As a result of this increase, the contribution per child would rise by about $5, from $240 to $245. The Federal contribution toward covering the excess costs of educating handicapped children would remain at about 8 percent, even with a projected increase from 4,040,000 to 4,080,000 in the child count used as a basis for distributing funds.

We are requesting $25,000,000 for Preschool Incentive Grants, the same level as 1983. Incentive grants are aimed at encouraging States to help handicapped children at a very young age when intervention can be especially beneficial in increasing educational achievement in later years. The request will provide about $110 for each of the 228,000 children expected to be served. This is the same number as projected for 1983.

Special Purpose Funds

Our request for discretionary programs for the handicapped is $87,072,000 or a decrease of $28,180,000 below 1983. The amount of the decrease is equal to the increase being requested for the State Grant Program, and represents our belief that the resources for providing educational services should be placed at the disposal of the States, which bear the ultimate responsibility for educating handicapped children. In general, most of our discretionary programs will remain at about the 1983 level with the exception of three programs for which significant reductions are proposed: Deaf-Blind Centers, Early Childhood Education, and Special Education Personnel Development.

Deaf-Blind Centers

The proposed level of $9,560,000 for the Deaf-Blind program is $5,800,000 less than the 1983 level of $15,360,000. The activities of the centers will focus on assisting the States through technical assistance and training to develop the full capacity to serve those deaf-blind children for whom they are responsible under the Education for all Handicapped Children Act, and providing direct services for those for whom the States are not responsible. The proposed reduction is offset by an increase in the State Grant Program.

Early Childhood Education

The budget request of $11,800,000 for the Early Childhood Education program, while representing a decrease of $5,000,000 below the 1983 level, will continue to support a variety of grant programs aimed at demonstrating best practices in educating young handicapped children, at approximately the same program level as fiscal year 1982.

Special Education Personnel Development

We are requesting $33,600,000 to train special education teachers, $15,700,000 less than the 1983 appropriation level of $49,300,000. The request will provide for pre-service training at roughly the fiscal year 1982 level. Beginning in fiscal year 1982 support for in-service training has been gradually phased-down, since it is felt that in-service training is most appropriately provided by State and local agencies. Placing priority on pre-service training will help meet the need for additional special education teachers. Support for pre-service training addresses this need through both the initial training of education personnel, and the retraining of regular education personnel for careers in special education. Funds made available to States under the State Grant Program may be used to support in-service programs for special education teachers.

Other Discretionary Programs

For Severely Handicapped Projects we are requesting $2,880,000, the same as fiscal year 1983, to support demonstration and research projects in areas including independent living and the effect of parental involvement in programming for children with a high degree of severity across handicapping conditions.

For Regional Vocational, Postsecondary and Adult Programs, $2,832,000 is being requested, the same as the previous year. These funds support programs serving postsecondary-aged students who are in a variety of settings such as vocational technical schools and community colleges.

Small reductions are proposed for Innovation and Development and Media Services and Captioned Films, with offsetting increases proposed for the State Grant Program.

We are requesting $10,800,000 to continue research efforts under the Innovation and Development program. This is a decrease of $1,200,000 from the 1983 level of $12,000,000 but the same as the 1982 appropriation. Activities in this program include research institutes, directed research, student research projects, and field-initiated grants to support new emerging ideas emanating from researchers across the country. Priorities will include development and application of technology, and improvement of programs for secondary-aged handicapped students.

For Media Services and Captioned Films $11,520,000 is requested, a decrease of $480,000 below the 1983 level but the same as the 1982 appropriation. This program supports captioning of films and television programs for the hearing impaired as well as projects aimed at increasing the development, awareness and use of educational media technology for the broad range of handicapping conditions.

We are proposing to maintain the fiscal year 1983 funding level for the Regional Resource Centers program of $2,880,000. The objective of these centers, which will be located in six geographical regions throughout the country, is to provide technical assistance to States for capacity building, educational programming, special education administration, and student appraisals.

Finally, we are requesting to maintain support for two programs aimed at providing information to Congress and to the public on the availability and effectiveness of special education programs in the Nation. These programs are Recruitment and Information, and Special Studies which will be funded at their 1983 levels of $720,000 and $480,000 respectively.

Thank you, Mr. Chairman and members. I will be pleased to answer any questions.

Rehabilitation Services and Handicapped Research

It is my pleasure to be here today to present the fiscal year 1984 budget request for Rehabilitation Services and Handicapped Research. This account includes activities of the Rehabilitation Services Administration, the National Institute of Handicapped Research, and the National Council on the Handicapped.

The total request for these programs is $1,036,727,000 the same level as fiscal year 1983. This request covers activities for an improved program under proposed legislation to amend the Rehabilitation Act.

Rehabilitation Services

The amount of $1,006,474,000 for rehabilitation services will provide services to disabled persons to enable them to become qualified for remunerative employment and to live with dignity in their own homes, independent living centers, or communities. The request includes funds for basic State grants and discretionary programs to meet special needs of severely handicapped persons. These include service projects, centers for independent living, and training of rehabilitation personnel.

Basic State Grants

Our request for Basic State Grants is $943,900,000, the same as the amount appropriated in fiscal year 1983. The purpose of the fiscal year 1984 budget is to maintain the level of funding as States prepare to shift to a performance-based funding allocation in fiscal year 1985. At this level, we estimate that approximately 211,000 individuals will be rehabilitated and that about 64 percent of these will be severely disabled. Under proposed legislation, increased emphasis will be placed on rehabilitating severely disabled individuals into remunerative employment. Beginning in fiscal year 1985, one-third of the Basic State Grant funds would be allocated to the States on the basis of their performance in rehabilitating severely disabled persons. We believe these proposed changes will help to increase the rate of success in rehabilitating the severely disabled. Our proposed legislation will be transmitted to the Congress for your consideration shortly. In the meantime, I am providing for your information copies of my February 24 testimony before the Senate Subcommittee on the Handicapped, which contains additional details on our proposal.

Discretionary Activities

The amount requested for discretionary activities is $62,574,000, including $26,094,000 for Service Projects, $17,280,000 for Centers for Independent Living, and $19,200,000 for Training. These funds will be used for projects of national or regional significance, and for meeting the unique needs of special handicapped populations. Funding for Projects with Industry will be increased by approximately $2.9 million to expand the active participation and cooperation of private industry in job development, job modification, training, and placement for disabled persons in competitive employment. Offsetting reductions would be taken in Severely Disabled projects, Migrant projects, and Client Assistance.

National Institute of Handicapped Research

The fiscal year 1984 request for the National Institute of Handicapped Research is $30,060,000, the same as the 1983 level.

Approximately 93 percent of the 1984 request will be used for continuing 1983 activities. These include continued support for research and training centers, rehabilitation engineering centers, grants for discrete research and knowledge dissemination projects, and fellowships. In 1983, practically the entire research program consists of new projects in accord with the 1983 research priorities. These activities include a new emphasis on problems of handicapped children and youth, learning disabilities, technology evaluation, and stimulation of industry.

National Council on the Handicapped

The fiscal year 1984 budget request for the National Council is $193,000. The current Council is composed of new members and convened its first meeting in December of 1982. The Council will continue its advisory responsibilities on programs affecting handicapped individuals, particularly Rehabilitation Services Administration policies and the research agenda of the National Institute of Handicapped Research, as required by law.

BIOGRAPHY OF GEORGE A. CONN

NAME : George A. Conn

POSITION : Acting Assistant Secretary for Special Education and Rehabilitative Services

BIRTHPLACE AND DATE : Evanston, Illinois, April 24, 1933

EDUCATION : Northwestern University, 1955, B.S.

EXPERIENCE

Present : Acting Assistant Secretary for Special Education and Rehabilitative Services
1981-Present: Commissioner, Rehabilitation Services Administration
1980 : Director, Handicapped Desk, Reagan-Bush Campaign Headquarters, Arlington, Virginia
1975-1977 : Director of Planning, White House Conference on Handicapped Individuals, Washington, D.C.
1972-1975 : Director, Office of Public Affairs, Rehabilitation Services Administration
1974 : Consultant to the National Capitol Park Service for the Bi-Centennial
1966-1972 : Executive Director, Illinois Governor's Committee on Employment of the Handicapped
1963-1966 : Assistant Director for Public Relations, Morton Salt Company, Chicago
1961-1963 : Assistant Director, Alumni Affàirs, Northwestern University
1955-1958 : First Lieutenant, U. S. Air Force (retired March 1, 1958)

ASSOCIATIONS AND COUNCILS

1982-Present: Architectural and Transportation Barriers Compliance Board
1982-Present: Committee for Purchase from the Blind and other Severely Handicapped
1981-Present: Veterans Administration Committee on Comprehensive Rehabilitation
1981-Present: Board of Directors, 1984 World Wheelchair Games
1980 : President, League of Disabled Voters
1970-1972 : Illinois Advisory Council for Vocational Education
1970-1972 : Illinois Developmental Disabilities Council
1966-1976 : President, National Wheelchair Basketball Association

ACHIEVEMENTS AND AWARDS

1982 : Human Goals Award
1982 : Courage Award, Courage Center
1977 : National Wheelchair Basketball Hall of Fame
1975 : Outstanding Handicapped Employee, Social and Rehabilitation Services, DHEW
1971 : Award of Merit, Northwestern University

1967 : Veterans of Foreign Wars Award
1966-1967 : U.S. Junior Association of Commerce and Industry's Director of "Outstanding Young Men"
1961-1964 : U.S. Paralympic Teams in England, 1961-1963, and Tokyo, 1964, awarded 17 gold medals in basketball, swimming, and pentathlon

INTRODUCTION OF ASSOCIATES

Mr. CONN. Thank you, Mr. Chairman.

I have with me today on my right, Sally Christensen, Director of Budget Service for the Department of Education and to my left, Dr. Edward Sontag, who is the Acting Director of the Special Education Programs in the Office of the Assistant Secretary for Special Education and Rehabilitative Services.

To give you the opportunity to pose more questions, I am going to dispense with the reading of any statements and just proceed.

I would like to state that I am very pleased that I can represent an administration that has listened very carefully to disability constituent groups, parents, professional colleagues, et cetera, and can come to you today with an aggregate budget proposal for the Office of Special Education and Rehabilitative Services totaling $2,146,979,000.

I think it is a budget which is eminently practical and will meet the needs of disabled people in education, rehabilitation, and research, and will also provide adequate funding for the National Council on the Handicapped.

With that, I will stand ready to answer your questions, Mr. Chairman.

SHIFT IN FUNDS

Senator WEICKER. Well, as I indicated, I think we will handle these two entirely separate. What we will first do is to discuss education for the handicapped.

Now, let's just take a look at the overall budget for a second here and see what it is. There are so many different ways the administration comes at these things, I never know under which shell the pea is.

As I see this, on the education for the handicapped, on the summary of account, 1983 and 1984, in the bottom total budget authority, are the same. That's correct?

Mr. CONN. Correct.

Senator WEICKER. What you have done, as I see it also, is in the area of special purpose funds, where there has been a decrease of $28,180,000; is that right?

Mr. CONN. Yes, sir.

Senator WEICKER. You have taken those moneys and added them to the State grant program?

Mr. CONN. Correct.

Senator WEICKER. So in any event, what we are talking about here is a decrease in special purpose funds. That is without dispute. And then, whatever the inflation factor is, a decrease in total spending from 1983 real dollars. Would that be correct?

What I am saying is that this figure here in real dollars is a decrease; is that correct?

Mr. CONN. It is difficult to answer that question, Mr. Chairman.

What we are trying to do here, which is very important, is to recognize that the States do need assistance in providing special education for disabled children. The model programs that have been supported through special education over the years that the act has been in effect, we feel, have been quite successful and instructive. We propose that the moneys for those programs now be transferred to the States to be utilized to implement some of the model programs that have proven to be fruitful.

INFLATION

Senator WEICKER. The Congressional Budget Office estimates inflation factors in 1984 of 5.4 percent for special education, 4.9 percent for vocational education and rehabilitation.

Ms. CHRISTENSEN. We have an increase of 3 percent for the State grant program which goes more than halfway toward offsetting inflation. I would add that in determining the priorities within the Department we had to make some very hard choices.

Handicapped services was one of the Secretary's very highest priorities. In fact, 16 percent of our total budget request is for programs serving the handicapped. It is one of the few areas that in total is level-funded. Even though it is already at a relatively high funding level, the request level funds it from fiscal year 1983.

I would also add that the amount that we are talking about should not in any way affect the number of children that are going to be served. In fact, there will be 40,000 additional children served as a result of identification efforts under Public Law 94–142.

The Federal share under the State grant program will stay at 8 percent of the excess cost. And the Federal contribution per child, in fact, will increase by $5, from $240 to $245.

We think we have a very viable budget, and we have gone quite a ways in offsetting the impact of inflation.

CONGRESSIONAL GUIDANCE

Senator WEICKER. I see where the administration requests for 1982 and 1983—we are talking about handicapped—there are $700 million, allowed to go up to $783 million in 1982, $845 million in 1983.

So it would be safe to say in both these years, obviously, congressional action has to be ahead and raise those totals.

Ms. CHRISTENSEN. Yes; the point that we are trying to make is that rather than going back to last year's President's budget, we maintained the congressional level.

Senator WEICKER. For 1984?

Ms. CHRISTENSEN. We maintained it because education for the handicapped was a high priority within our total budget.

FEDERAL CONTRIBUTION

Senator WEICKER. Now, you mentioned something which is really my first question. The Education of All Handicapped Children Act authorizes the Federal contribution of up to 40 percent of the excess costs of educating handicapped children, a target which was to be met in fiscal 1982. Instead, the high-water mark occurred in fiscal years 1979 and 1980 when the Federal Government contributed 12 percent of excess costs.

Since that time, the Federal funds have declined as you have stated to 8 percent in 1983, to be maintained in the 1984 budget. I say that if indeed, CBO's estimate is correct, it might even slip below 8 percent. Do you believe 8 percent provides an optimal Federal contribution in light of what the targets were?

Ms. CHRISTENSEN. We feel it is appropriate.

Senator WEICKER. Why is it appropriate, to use your term?

Mr. CONN. To make a compelling difference in programs for severely disabled or disabled children in schools, there would have to be a considerable increase in the Federal share of the budget.

Senator WEICKER. Right.

Mr. CONN. We do not feel that that is possible at this time.

Senator WEICKER. Why do you feel it is not possible at this time?

Mr. CONN. Because there are other priorities that we have in this Nation, Mr. Chairman.

Senator WEICKER. What are some of those priorities?

Mr. CONN. Well, I would have to let other representatives of other departments speak more knowledgeably to those.

I will say the economy is one, and the defense of the Nation is another.

Senator WEICKER. So because of the economy and because of the defense of the Nation, handicapped are going to get an appropriate level of funding, appropriate in your terms and the administration's terms?

Mr. CONN. I think in the context of the overall health of the economy, which contributes to the overall health of our society and our ability to defend ourselves, our request is appropriate. Without these capabilities, it is very possible that we wouldn't have the opportunity to have the education that we have in a free country. I think that is something to consider.

It is simply a difference in point of view on the part of the administration.

CONGRESSIONAL GUIDANCE

Senator WEICKER. It certainly is. It is a difference in point of view. We are so far fortunate that Congress at least has prevailed. And all I see is the administration facing up to what they hope is the inevitable, that is, we will be satisfied with last year's funding levels which were foisted on the administration by Congress.

Mr. CONN. No; I don't think that is correct, Mr. Chairman.

Senator WEICKER. Well, it is correct because the request was for $845 million in fiscal year 1983. And we ended up with $1.11 billion.

Mr. Conn. Mr. Chairman, I am going to disagree with you because that is not the administration's intent. You are putting a certain cant on it which I don't think is appropriate.

Senator Weicker. Did the administration request $845 million in fiscal 1983?

Mr. Conn. Yes, sir, and we were properly advised that was an inadvisable figure, and we went——

Senator Weicker. How were you advised?

Mr. Conn. We were instructed by the Congress.

Senator Weicker. By the Congress?

Mr. Conn. We also engaged in a series of other activities which suggested to us that this was a constituent group whose needs must be addressed, and we feel that we have made a legitimate effort to offer a budget figure to address those needs in an appropriate manner.

SHIFT IN FUNDS

Senator Weicker. That's what we are here to go ahead and decide.

You say you will be able to serve the same number of persons; 40,000 more persons are going to be served. Well, now, that is very interesting. How are 40,000 more going to be served for the same amount?

Ms. Christensen. Public Law 94–142 requires that all children be identified and served regardless of the amount of the Federal contribution. It is estimated that an additional 40,000 children will be identified and served by local education agencies next year. They are already bearing most of the costs of serving handicapped children.

Senator Weicker. Then, it is not our budget that is going to serve——

Ms. Christensen. No; our budget will maintain the 8-percent Federal share of the excess costs for educating handicapped children by increasing the State grant request by $28 million.

Senator Weicker. But you are taking that from contributions made by the Federal Government at the present time?

Ms. Christensen. We are reducing some of the discretionary programs where we have some good rationale for doing so.

Senator Weicker. The same amount of money exactly, and we are going to double the numbers; is that it? Add 40,000.

What is the present population being served—slightly over 4,040,000?

Mr. Conn. The change is from 4,040,000 to 4,080,000, I believe.

Ms. Christensen. That is our estimate.

Senator Weicker. 40,000 additional are going to be served with the same amount of money even though the inflation factor goes up?

Ms. Christensen. There is a $28 million requested increase in the part B program, the State grant program. That is a 3-percent increase which, as I said earlier, goes more than halfway in meeting inflation.

Senator Weicker. This is in the State program?

Ms. Christensen. Yes.

Senator Weicker. I understand. But what I am saying to you is what happens with the $28 million decrease in funding for special purpose funds, deaf-blind centers, severely handicapped projects, early childhood education, regional vocational, adult and postsecondary programs, innovation and development, media services and captioned films, regional resource centers, recuirtment and information, special education personnel development, special studies?

That has all been chopped by the $28 million. And I assume they serve the same constituency.

Mr. CONN. Yes; but in a different way than the State grant program does.

I would like to have Mr. Sontag address that if possible, Mr. Chairman.

Senator WEICKER. Sure.

PERSONNEL DEVELOPMENT

Mr. SONTAG. If we may, Senator, address three programs: early childhood, personnel preparation, and deaf-blind. First, we turn to personnel preparation.

We are proposing a rather significant reduction in the funding in personnel preparation based on a reprioritizing of some of the internal parts of the program, and moving away from in-service training to focus on preservice training. We feel that the actual impact on handicapped children and on the States will be minimal.

Our role in in-service training, for which we have spent a significant amount of dollars, has, in fact, not made a real dent in the in-service needs in this country. Most of the proposed reduction can be made up from reprioritizing within this program.

Regarding the deaf-blind program——

Senator WEICKER. Well, let's stop with this one.

Mr. SONTAG. Yes, sir.

Senator WEICKER. According to the annual report to Congress on the implementation of the provisions of the Education for All Handicapped Children Act, States report needing an additional 43,000 special education teachers and 47,500 related services personnel this school year in order to implement the Federal handicapped provisions proposal.

Your budget proposed nearly a one-third reduction in funds for training special education personnel. How do your statistics jibe with what you are telling me?

Mr. SONTAG. First of all, we essentially agree on the data.

Ms. CHRISTENSEN. The States are providing in-service training with part B funds. They have been doing this all along and are increasing their activities in this area.

Mr. SONTAG. We recognize the significant teacher shortage. What I said was that we are moving this program to a posture of trying to respond to the tremendous needs for teachers in this country. We estimate that about 30 percent of the teachers that we are training each year are not being trained adequately. While there is a net reduction in the overall funding, we have prioritized the dollars to go into preservice training in response to the problem that you just raised.

Ms. CHRISTENSEN. We felt by providing funds to the States under the part B authority, they can better integrate in-service with their other activities, have more flexibility, and provide a more comprehensive program tailored to their local needs. It is felt that this option is more effective than Federal funding of a specific program in a specific institution that they would have to send their personnel to.

Senator WEICKER. But then, if this need exists—and you have increased the State grant 3 percent—if they used all the money—all the money—for this purpose alone, I don't even know if that would meet these needs. But then, what happens to everything else that you have let go in the special purpose funds?

Ms. CHRISTENSEN. We are not saying there won't be some decreases in some specific program areas. We realize that this is going to happen. Our overall argument is that, within the Department, the Secretary had to make some very, very difficult decisions regarding priorities. The three top priorities were handicapped, disadvantaged, and needy college students. I think this budget does reflect these priorities.

We had to make some relatively minor adjustments here and there to reflect a total budget that responded to those priorities.

EARLY CHILDHOOD EDUCATION

Senator WEICKER. Well, let's move to early childhood education. Now, that was reduced by a third.

Now, Mr. Sontag, maybe you would like to indicate to me and the committee exactly what we are talking about here. Who is this education directed at? What does it consist of?

Mr. SONTAG. The handicapped children's early education program is authorized, Senator, under part C of the Handicapped Act, and it is primarily directed toward handicapped children from birth through age 7 or 8. There is some overlap with the age ranges served under the preschool and State grant programs which serve children ages 3 through 5.

This particular program has five major parts, Senator. It has a demonstration component which essentially is designed to demonstrate best practices in the education of young children who are, as you well know, most at risk.

It has an outreach component which disseminates the most successful demonstrations. It has a State implementation grant component.

We have also had for the last couple of years early childhood research institutes and special projects.

Because of the fiscal year 1982 supplemental funding that was provided to the Department in mid-September of last year, we were able to essentially buy up the mortgages of those research institutes. So what we have here is a modest net decrease, nowhere near the decrease that is shown in this proposal.

The net result will be a minimal disruption of the demonstration projects. We will be able to fund almost the same number of demonstration projects next year, make a modest reduction in outreach projects, and the rest of the program will stay fairly constant, sir.

So while we are proposing a $5 million reduction, the program will be able to be maintained pretty much at level next year.

Senator WEICKER. Well, are the numbers to be served going to remain? Are the numbers to be served going up?

Ms. CHRISTENSEN. The number of awards remains about the same.

Senator WEICKER. Number of children?

Mr. SONTAG. The overall purpose of this program, Senator Weicker, is not to provide services. It is primarily intended for research and demonstration. While children are served in the demonstration phase—and we are projecting from 1983 to 1984 a modest increase in the number of children to be served—there will be negligible impact on the overall number of children served in this program.

PRESCHOOL INCENTIVE GRANTS

Senator WEICKER. What funds are used to educate the children in the early intervention programs? Are we talking about the same fund or is there another fund that——

Mr. SONTAG. There is another fund—another program.

Senator WEICKER. What fund is that?

Mr. SONTAG. That would be the preschool incentive grant program under Public Law 94–142 for which we are requesting $25 million under the fiscal year 1984 budget request. And the number of children in that program has remained fairly constant over the last couple of years at approximately 230,000 children.

Ms. CHRISTENSEN. The preschool incentive grants program is a State grant service program, which uses the innovative models developed under the early childhood education program. Both programs complement each other.

Over the period that the early childhood program has been in effect, it has received over $200 million. There have been a lot of models created, and the States have been very successful in picking up the best of those models in implementing them through their State grant programs.

DEAF-BLIND CENTERS

Senator WEICKER. The deaf-blind centers are being reduced by around 40 percent of the special purpose funds. How are we going to make up that slack?

Mr. SONTAG. Senator, this population of deaf-blind children is one of the most vulnerable of all of the handicapped populations served. In response to the rubella epidemic of 1963, 1964, and 1965, when an estimated 2,000 deaf-blind children were born, Congress enacted Public Law 92–47, centers and services for deaf-blind children. At the time it was one of the most viable pieces of Federal legislation. It was an appropriate Federal role at that time.

In 1969, the then Bureau of Education for the Handicapped established eight multistate centers to serve these children. Congress appropriated $1 million. In the years following, the appropriation grew to $16 million.

In 1978, the Department expanded this program to serve preschool children, and the vocational needs of this population.

In 1982, we began to move this program into an approach of total life planning, prevocational, vocational training, and identification of at risk deaf-blind children.

Senator, this program has worked; it has worked very well. There was a viable Federal role, as I indicated at that time, but in 1983, we find that things changed. This program was enacted prior to Public Law 94-142 before there was a strong viable Federal role for all children.

We have been studying this problem for the last year and a half. Our decision to begin to phase down a direct service role with this program has not been a cavalier one, but results from a well thought out process.

The data that we have collected would indicate that most States are now capable of developing and administering a broad range of services to this population. According to one study we have conducted, the majority of the costs currently associated with serving these children is now being borne by a combination of State and local sources, in contrast to the earlier years of this program when it was predominantly a Federal role.

We are now approaching a transition time for this program, a transition from Federal authority, Federal direction for direct service, to Federal direction in the area of research, demonstration, and identifying new target areas. As we approach a new contract period this summer we will undertake the transition from a direct service role, hoping and anticipating that these children, as the States have told us, will be served under the Public Law 94-142 program. The focus of this program would be on the transition of handicapped children from school to work, working in the community on alternative living arrangements, demonstrating approaches to providing prevocational and vocational training, and establishing linkages between special education, vocational rehabilitation, and other community agencies.

Senator, I have three studies which we have commissioned which support our strong position that it is now time to move this program out of the direct service role, transfer it to the State and local agencies. States have picked this program up. My feeling is that they are willing to share the burden in educating this most vulnerable population.

I would be willing to submit those three studies for the record, Senator.

DEAF-BLIND CENTERS

Senator WEICKER. Well, do you feel this can be done, in other words, with this dramatic a cut in this particular year? I gather there is no compensatory money going to the State grant program.

In other words, it is just going to be cut, period.

Ms. CHRISTENSEN. We have shifted the funds from Federal discretionary activities to the State grant program.

Senator WEICKER. No; we used all that money for personnel development. We don't have any money; there is nothing else, in other words, to make it on the personnel. Just one. We will stick to that, for example.

Mr. Sontag. Of all of the proposed budget cuts, I honestly feel that the impact on the States will be less severe with this than any others. One State told us that it was willing to pick up this money all on their own. Over the last 4 years it has not used approximately $1.5 million which would have been available to it.

Collectively, the centers were spending about $13 million.

Senator Weicker. Which State was that?

Mr. Sontag. That was Ohio, Senator, a State with severe economic problems.

The cumulative 15 centers last year did not spend approximately $2 million. That money was lost to handicapped children and returned to the Treasury. All the signs are there, Senator, that this is clearly a logical move and one in the best interests of handicapped children.

The children have moved from institutions in the early days of this program to where the majority of them are served in more integrated settings. It is a program that has worked, served this Nation well, and it is time to move these children under the full auspices of Public Law 94–142.

Senator Weicker. A study of Publc Law 94–142 conducted for the Department of Education by SRI, International concluded the statute has been instrumental in securing enhanced educational opportunities for 4 million handicapped children. Yet, this very same report stated a period of expansion of special education programs has "slowed dramatically" as school systems struggled to maintain the status quo with fewer financial resources.

Would you like to comment on that?

Mr. Sontag. Mr. Chairman, as it has been stated before at this hearing, the Secretary has made this area one of his three major priorities. With the need to adjust a variety of budget levels within the Department of Education, this was one of his three top priorities.

We feel that we are being very responsive and very positive in this matter. If it is a question of the amount of dollars and the impact those dollars would have, then I think that is another issue.

The intent to be responsible and provide for the appropriate education for handicapped children is there.

FEDERAL/STATE ROLES

Senator Weicker. Researchers argue instead of being the catalyst it once was, the law is now becoming more important as a tool for holding onto the gains that have been made in serving handicapped children. Would you like to comment on that?

Which I might add probably falls in the line with what Mr. Sontag is talking about when program after program is starting to show results. I suppose what concerns me is that probably we ought to be going into the second phase of Federal effort if what you say is so. And I have no reason to believe it is not.

Probably what we ought to be doing, though, is just launching a few new Federal programs, if you will, which as they mature would then be turned over to the States. That is probably in two instances where you have indicated to me the response of the question is in effect the models that have been developed and the expertise that has been gained is such now so that we can phase out the Federal role, assuming the States have the money.

But then, the next question arises which is then shouldn't the Federal Government be engaged in new projects which then would be turned over to the States, et cetera?

Mr. SONTAG. Within the authority of part C, Senator, we do feel that there is sufficient flexibility to move the deaf-blind program, for example, from a direct-service role where the Federal Government is insuring each child will get an education, to where we can work with the States to plan for their transition from school to work.

The rubella population upon which this program is founded is now 18 to 20 years of age. There is a need to work with our colleagues in the rehabilitation community. We have done so. The basic legislation of the deaf-blind program gives us the authority to respond to those new priorities.

Senator WEICKER. In other words, what I am saying to you is that it could be—I don't accept this, but for sake of argument—it could be that the phaseout of these various programs can be justified to some extent. OK?

Let me just accept your argument and say it would be phased out. What I am saying is that the Federal role of catalyst, of innovator, is being eliminated. We are within categories which might be zero here now for the year 1984. But if I accept what you are saying to me, then I accept no Federal role. And it could very well be the Federal role should be in other areas.

And that's why this could be very, very misleading in terms of the importance of the Federal dollars. We ought to be going off into new tacks, but when we eliminate this and throw it all over to the State, we are throwing a finished project to them. That is, if I accept these.

But I know, and I am sure nothing more is going to be coming down the pike in terms of program development in any different categories than what we have before us right here.

Mr. CONN. Senator, I would like to respond to that.

I am not absolutely convinced that the Federal role in terms of being an innovator is in all cases the best role or represents the best type of innovation. In many instances, true innovation comes from the local and State level.

FEDERAL/STATE ROLES

Senator WEICKER. Well, Mr. Secretary, I am sorry, but I don't have the time to get into a long philosophical debate with you. Nothing came from the local areas in the area of retardation, mental retardation, nothing, until the Federal Government got into the act.

Now, I know there is a lot that has been developed in conjunction with the Federal Government. And I am sure maybe to some extent States have found their conscience, et cetera.

This business of volunteerism in the States and the locals did the job—they did not do the job. And that, Mr. Secretary, is history. That is not my speculation. So I will philosophize all you want.

Twenty years ago, Down's children were wandering around, fat with their tongues lolling out of their heads and no funds at all.

Mr. CONN. I might remind you, Mr. Chairman, respectfully, that I disagree. Some States did take the initiative to pass education for handicapped children acts which also benefited MR kids.

Senator WEICKER. Connecticut was one of those and went so far, and even it went ahead and lapsed back. And we are being braced up today because there is a Federal law.

Mr. CONN. That is the type of innovation I am calling to your attention.

Senator WEICKER. I am well aware of it, but I am also well aware of the fact States can only do so much.

Mr. CONN. Yes.

Senator WEICKER. And in light of what the history of the matter is, I fail to understand how you can all just grab onto your philosophy and hang onto it forever and ever and ever.

You are one of the leaders in gutting Public Law 94-142. You are one of those who sat there last year and said, "Sure, we are not doing anything." And when pressed, "Oh, we are doing some."

And finally, after enormous pressure from the public and Congress, you backed off.

Now, do you still feel the same today as you felt a year ago or did you see the light? And how did you see the light?

Mr. CONN. By being an in-house advocate of the program, Mr. Chairman.

Senator WEICKER. You have been no in-house advocate for Public Law 94-142, Mr. Secretary. You may be many things in that Department, but you have not been an in-house advocate of Public Law 94-142.

Mr. CONN. Senator Weicker, I beg to differ with you.

Senator WEICKER. Well, I suspect the entire handicapped retarded population of this Nation would disagree with you and your opinion of yourself in that matter.

Mr. CONN. Mr. Chairman, I still will not deny that there is an opportunity at the State level to be innovative in a small way, which might represent a very major breakthrough.

Senator WEICKER. Good.

Well, I will tell you, there haven't been many breakthroughs in the State level. And as I said before, I think the history of the matter has been well attested.

In other words, you are an advocate of the removal of the Federal Government from the scene, is that it?

Mr. CONN. No, sir; I did not say that.

Senator WEICKER. What do you think the Federal Government should do?

Mr. CONN. I am simply saying that there is an opportunity as a result of Federal activity under Public Law 94-142, for activities to now be assumed to some extent by the States. The States have the knowledge, capabilities, and teacher skills at the local and State level to address the needs of handicapped children and to come up with innovative programs at the State level which can then have a ripple effect across the country. To the extent that we can fund this type of activity through Federal dollars being sent to the States to enhance such programs, I see no difficulty with that at all.

Senator WEICKER. There is no use arguing that point. That is not the point we were arguing here.

As a result of Public Law 94-142, that is not a local law as I understand; it is not a State law.

Mr. CONN. No; but it certainly did emanate from——

Senator WEICKER. From where?

Mr. CONN. State laws.

Senator WEICKER. Public Law 94-142?

Mr. CONN. Yes, sir.

MEDIA SERVICES AND CAPTIONED FILMS

Senator WEICKER. As a result of the States.

For media services and captioned films, $11.5 million is requested, a cut of $480,000 from fiscal year 1983.

What activities will be affected by the reduction?

For example, the National Theater of the Deaf is performing at the Kennedy Center this week. Will they be affected by it?

Mr. SONTAG. Senator Weicker, the answer to that question is "no."

Senator WEICKER. They would not be affected?

Mr. SONTAG. No, sir.

Senator WEICKER. Why would they not be affected?

Mr. SONTAG. We plan in the fiscal year 1984 budget to maintain the level of funding of the National Theater of the Deaf at $500,000 per year.

Senator WEICKER. Who is going to be affected?

Mr. SONTAG. Specifically, we will be proposing a modest reduction in a marketing and awareness program, and in our national media centers. Those are the two primary areas.

The basic thrust of this program will be maintained. Captioning for the hearing impaired audience, recordings for the blind, and our renewed interest in having prime-time television available to the hearing impaired, will continue to be supported.

PARENT TRAINING

Senator WEICKER. At the House Appropriations hearing, you made a comment, Mr. Conn, about the parent centers which are funded under part D of the Education of the Handicapped Act. You said, "What are we funding those for?"

Do you believe training of parents of handicapped children is a necessary and legitimate program under the Handicapped Act?

Mr. CONN. It depends on what they are being trained for, sir.

Senator WEICKER. Well, I don't understand your question, "What are we funding those for?"

Mr. CONN. Frankly, I don't recall posing the question.

Senator WEICKER. It is in the record.

Mr. CONN. If Mr. Sontag has some comment——

Senator WEICKER. No; it is your statement.

Mr. CONN. I don't recall the statement.

Senator WEICKER. You don't recall it?

Mr. CONN. No, sir.

Senator WEICKER. It is in the record.

Mr. CONN. I take your word for that, Mr. Chairman.

Senator WEICKER. That is what I am asking. Do you feel that the parent centers have a purpose or not?

Mr. CONN. Yes, sir, I feel they have a purpose.

Senator WEICKER. They should be funded.

Do you think that is a legitimate necessary activity under part D?

Mr. CONN. I think it is a legitimate activity for the States to fund it.

Senator WEICKER. Not the Federal Government?

Mr. CONN. Yes, sir.

Senator WEICKER. Not the Federal Government?

Mr. CONN. That's right.

FEDERAL/STATE ROLES

Senator WEICKER. You don't like the Federal Government much, do you?

Mr. CONN. It is not that I don't like the Federal Government. I have great respect for the principles upon which it was based. I am not so sure always that it is a necessary ingredient in many of the activities of this society.

Senator WEICKER. Maybe you ought to serve at the local and State government——

Mr. CONN. I have, sir.

Senator WEICKER [continuing]. Not the Federal Government.

All right, let's move on to part 2 here, rehabilitation services and handicapped research.

Mr. CONN. Mr. Chairman, may I call Dr. Fenderson to the table in case you have any questions for him regarding research?

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Yes, you may, but first let me submit the balance of the questions.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FEDERAL SHARE OF COSTS

Question: The Education of All Handicapped Children Act authorizes a Federal contribution of up to 40 percent of the excess costs of educating handicapped children -- a target which was to be met in fiscal year 1982. Instead the high water mark occurred in fiscal years 1979 and 1980 when the Federal Government contributed 12 percent of excess costs. Since that time Federal funds have declined to 8 percent in 1983 and are to be maintained in the 1984 budget. Do you believe that 8 percent provides an optimal Federal contribution?

Answer: The authorization under the Education for All Handicapped Children Act provides for a Federal contribution up to 40 percent of the average per pupil expenditure. At the time of enactment it was estimated that the cost of educating handicapped children was roughly twice that for educating all children. The level of Federal support for fiscal years 1979 and 1980 was about 12 percent when compared with the average per pupil expenditure for all children. Based on a study by the Rand Corporation completed in 1982, we have estimated that excess cost for educating handicapped children is slightly greater than the average per pupil expenditure. The budget request for 1984 represents about 9 percent of the average per pupil expenditure. The contribution to offset excess costs for fiscal years 1979 and 1980 would be about 11 percent.

It is felt that the level of support represented by the fiscal year 1984 request is an appropriate level.

Question: On what do you base this view?

Answer: The rights of handicapped children to equal access to education flow from the Equal Protection clause of the Constitution of the United States. Although education is primarily a State and local responsibility the Education of the Handicapped Act does expand on basic protections to some extent, creating additional burdens in the process. It is felt that the Federal contribution towards the cost of educating handicapped children is appropriate in light of the additional requirements imposed by the act.

DATA REPORTING REQUIREMENTS

Question: The Secretary has not withdrawn those portions of the PL 94-142 proposed regulations which would replace current detailed data collection and reporting requirements with only the most general requirements. This raises 2 issues: first, I would like you to comment on the criticism raised that in reducing the amount of data available for compliance and monitoring efforts, this will ultimately result in a lack of information on which to judge program performance. The concern is that insufficient evidence of performance will lead to further and more serious criticism of the entire program.

Answer: We intend to ensure that there is sufficient data available upon which to judge performance and base policy decisions. The reductions in data requirements proposed are based upon the the fact that the data currently being collected is either not useful or can be obtained by less expensive or burdensome means.

Question: This week the National Theatre of the Deaf is performing at the Kennedy Center. Will this most worthwhile effort be cut under your proposal?

Answer: Support for the National Theatre of the Deaf project will not be reduced under our proposal.

Question: In your opinion, without the Federal funds to support the activities carried on through the media and captioned film program, would other public and private organizations be able or willing to assume responsibility for making films and television accessible to the deaf and hearing impaired?

Answer: It is very unlikely that other public and private organizations would be willing to assume additional responsibility for captioning films and television programs for deaf and hearing-impaired persons. This audience is too small to generate enough profit to make captioning a self-sustaining effort strictly from the private sector.

REGULATIONS

Question: What is the status of the August 4th Notice of Proposed Rulemaking (NPRM) for P.L. 94-142?

Answer: The period for public comment on the August 4 Notice of Proposed Rulemaking (NPRM) for Part B of the Education of the Handicapped Act ended on December 3, 1982. The document was modified, through a November 3 Notice of Modifications, by restoring certain sections of the current Part B regulations in six areas where proposed regulations were withdrawn: parental consent, least restrictive environment, related services, qualifications of personnel, attendance of evaluation personnel at individualized education program meetings, and timelines. Further action on the Part B regulations will follow the full appraisal of the public comments on the modified notice.

Question: The November 3rd Federal Register Notice of Withdrawal of six areas of the proposed regulations stated that: "in addition to soliciting further written comments at this time, the Secretary has determined to seek the widest possible consultation with parents, educators and other parties involved with the education of handicapped children". What outreach efforts have been made?

Answer: The outreach efforts conducted by the Department following the publication of the November 3 Notice of Modifications include more than 45 different meetings with:

-- parents and representatives of parent organizations;

-- special educators, and local and State education agency officials;

-- related services providers and representatives of their national professional organizations;

-- deans of colleges for teacher education;

-- representatives of various umbrella professional organizations; and

-- representatives of advocacy organizations.

In addition, we have provided briefings on the status of the NPRM and the analysis of the comments to numerous individuals who have called or visited the Department. We have also made presentations at nine State Federation Meetings of the Council for Exceptional Children. These outreach efforts continue, with 17 additional meetings with various groups already scheduled through June 1983. These meetings have involved as few as 15 persons and as many as 500, with the average number of participants about 150.

Question: Did you receive support from the public for issuing a new notice of proposed rule making?

Answer: Some special educators and school officials would support a new NPRM that responds to their concerns and addresses persisting problems in the implementation of the act if they can participate in its development. Parents and advocates generally do not support any changes in the existing regulations.

Question: Can you summarize the public comments and reaction to date?

Answer: Although final figures on the number of public comments received on the notice of proposed rulemaking on the proposed revisions to the regulations implementing Part B of the Education of the Handicapped Act will not be available until the analysis is completed, current estimates indicate that over 30,700 comments have been received. This estimate includes individual written comments, statements made at the public hearings, and approximately 11,000 form letter type responses. Of this number, approximately 16,740 comments have been coded and entered into the computer system for tracking and retrieving comments.

A summary of the comments will not be available until after the comments have been compiled and analysed.

The overall public reaction to the eleven public hearings was favorable. Commenters expressed their appreciation for the opportunity to present their testimony directly to Departmental representatives. The high number of requests to testify resulted in the Department adding days, extending hours, conducting dual sessions, and holding hearings in two additional cities. One thousand four hundred seventeen people testified at the hearings.

Questions: Are there any parts of the August 4th rule making that you personally are proposing to retain?

Answer: No decisions have been made concerning any specific parts of the August 4 NPRM, as modified by the November 3 Notice.

PARENT CENTERS

Question: At the House appropriations hearing you made a comment about the parent centers, which are funded under Part D of the Education of the Handicapped Act. You said, "What are we funding those for?". Do you believe training of parents of handicapped children is a legitimate and necessary activity under Part D of the Act?

Answer: Grants to provide training for parents of handicapped children are authorized under Part D of the act and the Department has indicated its support in this area by proposing continued funding for these projects in fiscal year 1984.

PRESCHOOL INCENTIVE GRANTS

Question: $25 million is requested for the preschool incentive program which funds State and local educational agencies to expand educational services to preschool children, ages 3-5 years, thereby increasing their opportunities to benefit from early educational intervention. The State grant program under the Education of the Handicapped Act also requires that States provide a free appropriate public education to all handicapped children as early as age three. Do activities sponsored under the preschool incentive program complement the activities sponsored under the State grant program or do they duplicate the latter activities?

Answer: States use Federal funds provided under the preschool incentive grants program for the same types of services supported with Federal funds under the State grant program. This is consistent with the intent of the preschool incentive grants program which is to give the States an additional financial incentive to serve children in this age range.

COORDINATION OF PROGRAMS

Question: What steps have been taken to coordinate the early childhood education program with the preschool incentive grants programs and the State grant program authorized under the Education of the Handicapped Act?

Answer: All applicants for demonstration and outreach funding are asked to submit copies of their applications to their State education agency so the agency will know what activities they are proposing to carry out. The State agency can then provide recommendations and comments for the Department's consideration during the review process. Also, a copy of the handicapped early childhood education Overview and Directory which contains abstracts of the demonstration, outreach and State implementation projects is sent to each State education agency.

EARLY CHILDHOOD EDUCATION

Question: Given the fact that only 24 States mandate services for handicapped children under age 5 and only 5 of these States mandate services for children from birth to two years, to what extent are economic factors holding them back?

Answer: Early intervention for young handicapped children requires an array of educational and ancillary services which can be expensive. Every procedure necessary to provide appropriate special education to school-aged handicapped children who are six years of age and older must be modified to provide appropriate services for the population of handicapped children from birth through five years of age. This includes adaptation of procedures for assessment, early childhood special education methodology for instructional services, accomodations for specialized supportive equipment, administrative and personnel techniques for the coordination and utilization of ancillary resources including the accessing of parent resources to support the child's early education. Each State must sort out its priorities for educating its children, and allocate its limited resources in a way which it determines to be in the best interest of all the children for which it is responsible.

Question: The early childhood program is targeted toward children under age 8. Your budget justification states: "Emphasis is placed on this age group since it is underserved and studies have shown that early intervention has high returns in later educational achievement. If, as your budget indicates, these young children are underserved and there are high returns from early intervention, why not redirect funds into demonstration programs serving these children?

Answer: The $5 million reduction in this program is offset by an identical increase in direct aid to State and local agencies under P.L. 94-142. States may choose to use some or all of this funding for services for young children. It is not the objective of the early childhood education program to provide an incentive to States to increase their services to young handicapped children. Rather, this program is aimed at improving the quality of services through demonstration and research activities. It is through the State grant and preschool incentive grant programs that States are provided funds which might assist them in expanding services to additional unserved and underserved children. We are proposing to increase funding for the State grant program by $28,180,000 in fiscal year 1984.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: According to the annual report to Congress on the implementation of the provisions of the Education for All Handicapped Children Act, States report needing an additional 43,000 special education teachers and 47,500 related services personnel this school year in order to implement the Federal handicapped provisions properly. Yet, your budget proposed nearly a 1/3 reduction in funds for training special education personnel. How much is presently being used for in-service versus pre-service training?

Answer: Of the total appropriation of $49,300,000 for fiscal year 1983, about $35,514,000 (72 percent) will be used for pre-service training and $13,786,000 (28 percent) will be used for in-service training.

Question: Why not redirect the entire amount of the reduction to pre-service training for new special education teachers to meet this critical need you identified?

Answer: We believe there is a continuing Federal role in assisting agencies in the development (including adaptation), evaluation, and dissemination of imaginative, innovative and useful approaches to in-service personnel preparation. Without this limited Federal effort there would be very little development of in-service training models. In addition, some in-service training will also be conducted where the scope of the training is beyond State limits.

Question: Under your proposal will parent information and training centers continue to be funded at their present level?

Answer: The parent information and training centers would continue to be funded at the present level in terms of the percentage of the special education personnel development appropriation spent on those types of training activities.

INNOVATION AND DEVELOPMENT

Question: Could you provide this Comittee with some examples of how the research supported through the innovation and development program has had measurable effects on improvement in the delivery, nature and scope of special education programs for handicapped children?

Answer: It is not possible to measure most of the effects of the innovation and development program. What we can do is identify areas of need and show how the projects funded under the program have contributed toward meeting these areas of need.

One problem that has long troubled educators is that of getting early and accurate measures of the cognitive abilities of handicapped children, since early identification correlates directly with successful remediation. Traditional tests of infants relied heavily on motor skills. These tests were obviously not useful for children whose motor functions were impaired. At Tufts New England Medical Center, we supported the development of assessment measures that did not depend on motor abilities. These measures have been well-received by the profession and have made it easier for schools to place children appropriately.

Another problem we have had was in helping handicapped children to be accepted as they were mainstreamed in regular classes. Other children were often intolerant and handicapped children were sometimes disruptive. At Johns Hopkins, New York University, and the Universities of Chicago and Minnesota, we have supported research to bring handicapped and non-handicapped children together in more constructive ways, and many school systems are using the results of that research to develop new curricula.

Finally, as an example of the way we have increased the scope of special education programs, we might look at what we have started to do in therapeutic recreation. Handicapped children have in general limited exposure to cultural and recreational environments outside of the school setting. In addition to reducing the quality of their lives, this limitation makes them essentially environmentally deprived and so adds to the burden of what they have to learn. The field of therapeutic recreation had identified the lack of assessment instruments and curriculum materials as the two major factors in the general inability of schools to develop leisure activities for handicapped children. We responded, in 1979, by supporting research at North Texas State University to develop an assessment procedure, which is now being validated for use in the schools. We also suported research at the University of Kentucky to develop materials for use by teachers in the regular schools to increse the environmental experiences of handicapped children. These materials are just coming out but they have already been picked up and used by several States.

REGIONAL VOCATIONAL, ADULT AND POSTSECONDARY PROGRAMS

Question: Funding for the regional vocational, adult and postsecondary program will be maintained at the fiscal year 1983 level of $2,832,000. A recent GAO study concluded that States and localities continue to have problems implementing the provisions of the Education for All Handicapped Children Act, P.L. 94-142. What role have these centers had in assisting States with implementation problems in the past?

Answer: In accordance with the authorizing legislation for this program, the support to the four institutions serving deaf postsecondary students are oriented primarily toward providing direct educational services. These institutions receive most of the funds under this program.

Question: Can you provide us with any examples of how these centers improved States' capabilities for implementing the provisions of P.L. 94-142?

Answer: Although these centers are not designed specifically to improve States' capabilities for implementing the provisions of P.L. 94-142, the direct services which they provide often result in establishment of attainable educational objectives for high school handicapped students. Directors of center programs serve on various State Councils and Committees concerned with employment, advanced training opportunities and the general education offerings for all handicapped persons. In addition, staff of the centers are called upon to provide training and technical assistance to some secondary programs.

REGIONAL RESOURCE CENTERS

Question: The budget request for regional resource centers is $2,880,000, the same as last year -- however, beginning in fiscal year 1983 the number of centers will be reduced from 12-6 and funding for each will be doubled. Have you identified the centers which will be closed and can you tell us how the transition will be implemented?

Answer: The transition from 12 to 6 regions will be accomplished by merging regions so that an area which currently includes two regions will now be one region. The current contracts for the 12 regional resource centers end May 31, 1983. At that time 6 new contracts will be awarded on a competitive basis, one for each of the new, larger regions.

MEDIA SERVICES AND CAPTIONED FILMS

Question: Of the financial effort to provide closed captioned television systems and to develop specialized instructional materials for the visually impaired and severely handicapped, what portion is borne by the Federal funds provided through the media and captioned films programs?

Answer: In terms of closed captioning of television, media services and captioned films program support provides for the cost of approximately 7 broadcast hours per week on commercial networks. Funding from the Corporation of Public Broadcasting provides for approximately 4 additional hours on the PBS network. Thus, Federal dollars provide support for approximately 11 hours per week. Total captioned broadcast hours is between 35-40 hours per week yielding a proportion of Federal support of about 30 percent, of which about 19 percent is attributable to the media services and captioned films program.

The situtation with regard to specialized instructional materials for the visually impaired is much more difficult to assess. Education for the handicapped commitments in this area from the media services and captioned films program totalled $550,000 in fiscal year 1982. Other Federal support, State and local commitments, and private and voluntary agency contributions are substantial. Some $12,618,000 is provided through the American Printing House for the Blind, approximately $33,221,000 through the Library of Congress, and the budget of Recordings for the Blind includes $2,700,000 in non-Federal funds. A very rough estimate would be that slightly more than 1 percent of the cost for materials for the visually handicapped are provided under the media services and captioned films program.

Question: Have the number of hours of captioned television increased over the past year?

Answer: In 1981, there were approximately 1,500 hours of closed captioned programs broadcast throughout the year. In 1982, approximately 1,700 hours of closed captioned programs were broadcast, an increase of 200 hours.

Question: How long will Federal support be necessary and at what level before a captioned television system become self-sustaining?

Answer: While our goal is to see captioned TV eventually become self supporting, it is extremely difficult to predict when or if it will. Increasing nonfederal support in recent years is encouraging. However, until there is evidence that a commercially significant audience has access to closed captions some Federal support will be required. We anticipate that current Federal support for captioning prime-time movies will have a favorable impact on increasing the audience for captioned TV.

Question: What forms of financial and technical cooperation do you receive from the major networks?

Answer: ABC has provided between $500,000 and $600,000 per year and continues to be the major contributor and supporter of the service. NBC will broadcast closed captioned programs paid for by someone else, but does absorb the costs of encoding the closed captions into the broadcast signal. This costs approximately $1,500 per broadcast hour. CBS has never participated.

INNOVATION AND DEVELOPMENT PROGRAM

Question: The innovation and development program funds research and development projects, model program activities, validation and testing of alternative educational approaches, and dissemination of reports and other products of the program. Funding for this program would be reduced 10 percent--from $12.0 million--in order to increase the State grant program. Since this program has provided one of the oldest continuing sources of funds for studies in the field of special education, what impact do you anticipate from the spending cut?

Answer: The reduction of $1.2 million will mean fewer new grants under our directed research priorities. Since these projects do not support direct services to children, the impact on services will be minimal. High priority research projects will continue to be supported.

SEVERELY HANDICAPPED PROJECTS

Question: Last year's budget proposed the elimination of the severely handicapped projects program. Congress rejected this proposal and provided $2,880,000. The current request for fiscal year 1984 would maintain this funding level. Has your opinion regarding this program changed?

Answer: The 1983 budget request proposed the consolidation of all of the separate discretionary activities under the education for the handicapped account into a single discretionary budget activity. This does not mean that the functions of the severely handicapped projects would not have been carried out under this consolidated budget activity.

Question: How are these funds being used?

Answer: These funds are being used to make significant progress in the education of severely handicapped children. Specific uses of these funds, and some achievements, are as follows:

- Projects funded in prior years have demonstrated cost-effective methods of Statewide planning for service delivery to all severely handicapped children. Particular attention has been directed to development of resolutions to rural and urban service delivery problems.

- Current efforts focus on projects for severely handicapped youth and are demonstrating the employability of these persons in technological areas, generalization of life-adjustment skills learned in educational settings to home and community-based settings, and total life-planning for normalized development of these persons.

REGIONAL VOCATIONAL, ADULT AND POSTSECONDARY PROGRAMS

Question: What steps have you taken to coordinate the technical assistance aspects of the regional vocational, adult and postsecondary program and the technical assistance provided States through the Office of Special Education and Rehabilitative Services in the Department of Education?

Answer: Most of the funds under the regional vocational, adult and postsecondary program are awarded to four institutions serving deaf students. The primary purpose of these awards is to provide direct services. The demonstration projects funded under the program are not technical assistance oriented.

Question: Do activities sponsored under the regional programs complement the technical assistance activities sponsored by the Office of Special Education in the Department; do they duplicate the latter activities; or do they work at cross purposes?

Answer: The demonstration activities funded under regional vocational, adult and postsecondary programs provide examples of effective practices which are then disseminated through other activities carried out by the Department. Activities are not duplicative.

Question: To what extent could the regional program activities be carried on at the Federal level through the Department of Education?

Answer: Demonstration and direct service activities carried out under regional vocational, adult and postsecondary programs could not be carried out at the Federal level through the Department of Education since they deal with the delivery of educational services which are provided at postsecondary institutions.

PRESCHOOL INCENTIVE GRANTS

Question: How many States, which do not mandate or do not customarily provide educational services to preschool handicapped children, have participated in the Federal preschool incentive program?

Answer: There are 30 States which participate in the preschool incentive grants program but which do not mandate services to all preschool children.

Question: Of those States which receive funds under the preschool incentive program, how many have State laws or State policies requiring them to provide services to preschool handicapped children?

Answer: Of the 55 States and other entities receiving funds under the preschool incentive grants program, 25 have legislation that mandates services to preschool handicapped children aged 3 through 5.

SEVERELY HANDICAPPED PROJECTS

Question: What steps have been taken to coordinate the severely handicapped projects with the State grant program under the Education of the Handicapped Act?

Answer: Several steps have been taken to bring about coordination of projects for the severely handicapped with the State grant program. They include:

1. Each offeror's proposal must be accompanied by a letter of support from its respective State educational agency.

2. Successful offerors must evidence on-going coordination with the respective State education agencies (SEAs), local education agencies (LEAs), and other relevant service-providing agencies.

3. Evaluation of projects usually is performed, at least in part, by a team of professionals, which includes a member of the SEA or LEA staff.

4. Information about project findings and recommendations are required to be disseminated throughout the State in which the project is located.

Question: Do activities sponsored under the severely handicapped program complement the activities sponsored under the State grant program or do they duplicate the latter activities?

Answer: Activities under the severely handicapped program do not generally duplicate the activities under the State grant program. The severely handicapped program supports demonstration activities which are not normally undertaken by the States. These demonstration activities complement the State grant program by making available improved practices, materials and expertise to assist the States in educating their handicapped children.

Question: To what extent could activities sponsored by the severely handicapped program be financed through the State grant program?

Answer: Up to 25 percent of the funds made available to the States under the State grant program are available for direct and support services at the State level. The States could utilize these funds to support most of the types of activities funded under the severely handicapped program. This use would not, however, be cost effective for a State. The demonstration activities conducted under this program are more appropriately supported at the Federal level due to economies of scale and other factors.

Question: Authorization for the severely handicapped projects, as well as all other of the discretionary grant programs authorized under the Education of the Handicapped Act, expires this year (fiscal year 1983). What proposal, if any, will you submit to Congress to reauthorize these programs?

Answer: We will be transmitting legislation shortly reauthorizing this and other expiring authorizations under the Education of the Handicapped Act. No changes are proposed in the scope of activities authorized under the act.

REGIONAL RESOURCE CENTERS

Question: What steps have you taken to coordinate the regional resource centers program with the technical assistance responsibilities given the Department of Education and the State education agencies under the Education of the Handicapped Act?

Answer: The technical assistance agreements developed between the regional resource centers and the States are reviewed by the Department prior to implementation, to assure they are not redundant with other Department technical assistance efforts or with the technical assistance responsibilities of the States. This process is facilitated by the fact that both of these activities - the regional resource centers and the design of technical assistance activities - are administered by the same staff in the Office of Special Education and Rehabilitative Services.

Question: Do activities sponsored under the regional resource centers complement the activities sponsored by the Department and State educational agencies, or is the regional resource center program a Federal subsidy helping to relieve State agencies of their mandated technical assistance responsibilities?

Answer: The activities sponsored by the regional resource centers complement Department and State activities.

Question: Please describe for this Committee the basic differences between the activities sponsored through the regional resource center programs and those carried out by the Department of Education and the States in their capacity as administrators of the Education of the Handicapped Act?

Answer: Whereas Department technical assistance activities are frequently focused on clarification of the requirements of the Education of the Handicapped Act, center activities focus on linking States with the most recent developments in special education research, technology, and practice. States in turn incorporate this information into the technical assistance they provide to local education agencies. The centers workscopes state that center activities are not to supplant activities that are the responsibility of States.

SPECIAL STUDIES

Question: How have you used the information obtained through the special studies program to improve eductional and related services for the handicapped?

Answer: The special studies program has identified problem areas associated with the administration of the Education of the Handicapped Act which has resulted in the provision of technical assistance to the States. Also evaluation studies done under the program have served to help the Department redirect and improve program operations.

Question: Have you used the information obtained through the special studies program to determine the fiscal year 1984 budget priorities for special education?

Answer: The fiscal year 1984 budget includes several planned priorities which have been developed from needs identified by special studies. These priorities will be used as a basis for making awards for discretionary projects in such programs as innovation and development, and media services and captioned films. For example, the longitudinal study of the local implementation of P.L. 94-142 (SRI, 1982) as well as the State-local information network (Project FORUM) identified secondary or transitional programs for the handicapped young adult as a critical area of need in special education.

A study by Project FORUM on eligibility criteria in use by the States led to identification of a need to do further research on assessment techniques and practices. Other areas of such identified need which will be addressed in fiscal year 1984 include use of technology in education and studies of the impact and effectiveness of special education.

Also, a study conducted by Project FORUM was used in part as a basis for the redirection of the deaf-blind centers program away from providing services for which the States are responsible under P.L. 94-142, and toward services to those children not covered by the act and technical assistance to the States.

Question: Can you give us examples of the type of information and how it was used?

Answer: A specific example which illustrates the coordinated use of information from multiple sources in the special studies program relates to the measurement of impact and effectiveness of special education programs. Project FORUM, as a result of its information sharing network among States and local education agencies, identified the need for information about the impact and cost effectiveness of special education services. FORUM learned that this is a critical current issue with State legislatures and budget offices as well as with local schools and their boards of education, all of whom are increasingly being asked to justify the extra expenditures required for specialized education for the handicapped. The measurement of impact and effectiveness of education programs requires instruments and techniques which are sensitive to various educational indicators. States have asked the Department for guidance in ways to measure effectiveness of programs for the handicapped. Another study examined assessment procedures throughout the country and learned that a wide variety of assessment instruments are in use and that a very large part of these procedures rely on direct observation and other non-standardized means of measurement. In a direct response to the need for greater precision in assessment and measurement of effectiveness in special education, the Department provided research funds to study assessments. The research which is expected to be supported under this priority will address issues of student outcomes, effectiveness in delivery of services, and measurement techniques which can provide information useful to administrators and policy makers as well as to educators.

MEDIA AND RESOURCE SERVICES

Question: Your fiscal year 1983 budget proposed eliminating the recruitment and information program under the Education for the Handicapped Act. Now you are proposing a 1984 appropriation of $720,000. Has your opinion regarding this program changed?

Answer: The 1983 budget request proposed the consolidation of all of the separate discretionary activities under the education for the handicapped account into a single discretionary budget activity. This does not mean that the functions of the recruitment and information program would not have been carried out under this consolidated budget activity.

Question: In your opinion, what has been the major accomplishment of the recruitment and information program?

Answer: The recruitment and information program has promoted in the general public, a greater awareness of the educational needs of handicapped children. This has resulted in an improvement in the education of handicapped children in the United States.

Question: Would activities sponsored by the recruitment and information program be carried out by other private or public agencies if funding for this program were eliminated?

Answer: Some State and local dissemination of information, resource and service referrals, and coordination of parent organizations would still occur without the program. National dissemination on various specific handicapping conditions would also continue. National and regional efforts to disseminate information would however, be limited. This would cause some areas of the country to have minimal information provided on the handicapped.

EARLY CHILDHOOD EDUCATION

Question: Do activities sponsored under the early childhood program complement the activities sponsored under the preschool program, or do they duplicate the latter activities?

Answer: Activities under the early childhood program do not generally duplicate the activities under the preschool incentive grants program. The preschool incentive grant program is a formula grant program which provides monies in addition to the basic State grant program monies to support services to preschool handicapped children ages three through five years of age. The early childhood education program is a discretionary program which focuses on the development and dissemination of model programs.

Question: To what extent might the early childhood program activities be financed through either the preschool incentive programs or the State grant program?

Answer: Up to 25 percent of the funds made available to the States under the State grant program are available for direct and support services at the State level. The States could utilize these funds to support most of the types of activities funded under the early childhood education program. This use would not, however, be cost-effective for a State. The demonstration activities conducted under this program are more appropriately supported at the Federal level due to economies of scale and other factors.

Question: What coordination, or interface, is there between the early childhood education program, the preschool incentive program, and the State grant program?

Answer: Services provided under the preschool incentive grants program are covered by the State plans required under the State grant program. States may adopt the models developed under the early childhood education program for use under their State plans. In addition State implementation grants are awarded under the early childhood education program specifically to assist the the States in extending services to preschool aged children.

STATE GRANT PROGRAM

Question: When do you anticipate that you will be publishing a new Notice of proposed Rulemaking regarding the Education for All Handicapped Children Act, P.L. 94-142?

Answer: The Secretary has stated that no further action will be taken relative to the regulations for the State grant program until a full appraisal of the public comments on the notice of proposed rulemaking has been completed, and a new Assistant Secretary has been appointed to the Office of Special Education and Rehabilitative Services.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

PRESCHOOL INCENTIVE GRANTS

Senator Proxmire: I note that the table on page 108 of your justifications shows a gradual increase in the number of children served by your preschool incentive grants from 197,000 in 1977 to 237,000 in 1981. This increase averaged about 10,000 students a year. In 1982 the number of children receiving assistance dropped to 228,000 and is projected to stay there through 1984. What happened?

Answer: The cause for the reduction in the number of preschool age children served is not known.

DEAF-BLIND CENTERS

Senator Proxmire: You are proposing a $5.8 million cut in funding for deaf-blind centers in fiscal year 1984. How much are you currently spending for model demonstration projects and how much do you plan to spend next year?

Answer: Current budget planning calls for $3,560,000 for demonstration projects in 1983. In fiscal year 1984 all continuation demonstration projects will be funded as planned.

INNOVATION AND DEVELOPMENT

Senator Proxmire: How much of the $10.8 million you are requesting for innovation and development do you plan to allocate to student research?

Answer: About $250,000 of the $10.8 million requested for innovation and development will be used for student research.

Senator Proxmire: What percentage of the applications you receive for student research funding are approved?

Answer: In the spring cycle of 1983, 9 of the 31 student initiated research applications were funded. In the fall of 1983 the corresponding figures were 19 and 55. Thus, for a full year, we supported 28 out of the 86 applications received, or 33%.

Senator Proxmire: How many research institutes do you support with these funds and how much Federal money will these institutes spend next year?

Answer: We anticipate that 1984 funding in this area will be about $3,000,000 for support of approximately 8 institutes addressing problems in the areas of postsecondary education for the handicapped and minority handicapped students.

REGIONAL RESOURCE CENTERS

Senator Proxmire: You are requesting $2,880,000 in the coming year for regional resource centers. You plan to cut the number of centers from 12 to 6 and double the funding for each center as a part of your effort to place special emphasis on providing technical services to the States. Why do you believe that cutting the number of centers will contribute to this goal?

Answer: The $2,880,000 requested represents level funding for the regional resource centers program. Certain costs in maintaining a center (space, equipment, utilities, certain other indirect costs) are relatively fixed regardless of the size of the staff, and represent a significant proportion of the center's budget, leaving relatively few dollars for actual technical assistance to States. By reducing the number of centers we can reduce the proportion of the budget devoted to basic operating costs, thus freeing additional dollars for the centers' technical assistance activities.

Senator Proxmire: Couldn't you argue that this could reduce the geographic accessibility of centers?

Answer: Though the new centers may be physically less accessible for some States, we feel the efficient use of available technology such as electronic mailboxes, teleconferencing, etc. will still make the centers accessible to States. Furthermore, with a greater proportion of the budget devoted to direct technical assistance, we feel that States will actually receive better services than has been possible during the past two years.

PERSONNEL DEVELOPMENT

Senator Proxmire: Your 1984 budget for handicapped education proposes to cut $15.7 million from personnel development -- a cut of about one-third. Can you tell us how many people will receive training under your proposed 1984 training program as compared with the total number that will receive training in fiscal year 1983?

Answer: In fiscal year 1983 (school year 1983-84) we estimate there will be about 44,000 students enrolled in funded pre-service training programs with about 21,000 of them graduating and becoming certified. We estimate during the same time about 46,000 persons also will be receiving some in-service training.

In fiscal year 1984 (school year 1984-85) we estimate there will be about 32,000 students enrolled in funded pre-service training programs with about 16,000 of them graduating and becoming certified. We would estimate during the same time about 24,800 persons will be receiving some in-service training.

Senator Proxmire: Last year the committee directed the Secretary of Education to report by September 1, 1982 on how much of your 1982 approriation for special education personnel development was spent for teacher retraining as opposed to first -time training. Have you sent us that report?

Answer: The report has not yet been transmitted.

Senator Proxmire: On page 103 of your justifications you indicate the report will be transmitted to the Senate in February of this year. It is now March 10th. When will we receive the report and what has caused the delay?

Answer: The report will be sent to the committee on March 22, 1983. The report has been delayed due to difficulty in obtaining data requested by the subcommittee. It should also be noted that while the report was originally requested by September 1, 1983, the supplemental appropriation to which the report was attached was not passed until September 10, 1982.

SPECIAL STUDIES

Senator Proxmire: Please provide for the record a list of special studies currently underway including the cost and a one paragraph summary of each study and tell us what studies you plan to initiate or continue with the $480,000 you are requesting in fiscal year 1984.

Answer: The following studies are currently being supported or will be supported through the special studies activity:

Fiscal Year 1983

Technical Assistance in Data Analysis ($145,000) - The purpose of this project is to analyze numerical information required by P.L. 94-142 as well as information on policies and procedures provided by the States. The work is currently being performed by Decision Resources, Inc. of Washington, D.C. Analysis of the data is conducted throughout the year for dissemination to the field and for inclusion in the Annual Report to Congress.

State and Local Communication Forum for Promoting and Exploring Issues Related to P.L. 94-142 ($200,000) - This contract, which will be a continuation award in fiscal year 1983, provides a communications network of State and local education agencies that serve as part of a feedback system for the Department. Current and emerging issues related to the education of handicapped children are identified and analyzed through use of the network so that the Department can then pinpoint technical assistance needs in the field and develop appropriate and timely technical assistance activities to meet those needs. The project also provides useful information for the Annual Report to Congress.

Parent Assessment ($85,000) - A study is currently being developed regarding parent assessment of P.L. 94-142.

Computer time ($50,000) - Funds provide computer support for the above projects in fiscal year 1983.

Fiscal Year 1984

Technical Assistance in Data Analysis ($185,000) - A new award will be made to provide technical assistance in data analysis.

State and Local Communication Forum for Promoting and Exploring Issues Related to P.L. 94-142 ($230,000) - A continuation award will be made for the State and local communication forum.

Computer time ($65,000) - Funds provide computer support for the above projects in fiscal year 1984.

DEAF-BLIND CENTERS

Senator Proxmire: You indicate in your justification narrative that contracts for deaf-blind centers will be awarded on a competitive basis in fiscal year 1983. How many centers are currently in operation?

Answer: We are currently supporting 15 deaf-blind centers. These include eight regional and seven single State centers.

Senator Proxmire: How many center contracts do you intend to award this year?

Answer: Current plans call for the award of six contracts in fiscal year 1983.

Senator Proxmire: How much competition do you anticipate for these contracts? In other words how many applications do you anticipate for each contract that is finally funded?

Answer: Based on the history of procurements relating to deaf-blind children, there are only a limited number of institutions which can be expected to submit proposals. We estimate that about 25 proposals will be received.

REGIONAL VOCATIONAL ADULT, AND POSTSECONDARY PROGRAMS

Senator Proxmire: You are requesting $2,832,000 for postsecondary handicapped persons next year. Your budget narrative indicates that a portion of these funds will support four institutions providing direct services to deaf students. How much do you plan to obligate for this program next year?

Answer: We expect that in fiscal year 1984 about $2,000,000 will be utilized for support to the four institutions serving the deaf.

Senator Proxmire: What institutions receive this deaf services money and how much is each institution currently receiving?

Answer: In fiscal year 1983 awards will be made on a competitive basis. Fiscal year 1982 continuation awards totalling $1,962,000 were made to the California State University at Northridge ($598,000), Seattle Community College ($453,000), St. Paul Technical Vocational Institute ($543,000), and Delgado College in New Orleans ($368,000).

Senator Proxmire: Why have you decided to place such a strong emphasis on programs for the deaf?

Answer: The emphasis of this program on the deaf is based on Congressional intent as expressed in form the legislative histories for the authorization and appropriations.

QUESTIONS SUBMITTED BY THE SENATOR LAWTON CHILES

SPECIAL PURPOSE FUNDS

Senator Chiles: Why are the cuts you are proposing in education for the handicapped all in the areas of program support and innovation, technical assistance, teacher training, etc.?

Answer: The proposed reductions fall into two categories. First, funding for discretionary Federal programs providing in-service training and direct services are being phased down with offsetting increases in the State grant program. The States are primarily responsible for these activities and they are in a better position to effectively allocate and utilize funds for these purposes. We are also proposing slight reductions in activities which have been expanded in 1982 and 1983 through unrequested supplemental and other appropriation increases. These programs would be reduced, and the State grant program would be increased in order to maintain an appropriate balance between Federal discretionary activities and financial assistance to the States.

Senator Chiles: Since we are no way near serving all the handicapped children with the basic service grants now, wouldn't it make sense to not only maintain the funding for the basic grants, but also to provide adequate support for the programs that build the States' capacity to educate handicapped children?

Answer: It is felt that the budget request level provides adequate support for programs that build the States' capacity to educate handicapped children. In addition, all of the proposed reductions are offset by increases in the State grant program, which would increase the States' capacities to serve these children.

Senator Chiles: Isn't cutting these support services and training dollars like eating our own seed corn?

Answer: We are, if you please, returning some of the seed corn to the States so that they may plant it so as to optimize services to their handicapped children.

SECRETARY'S PRIORITIES

Question: The Secretary's Goals and Performance Priorities of Education for the present fiscal year give much attention to philosophical and management outcomes. Virtually nothing is included, however, on how your Department intends to work toward improving education outcomes for disabled youngsters and adults. Looking toward fiscal year 1984, can you tell me if you intend to include the goal of improving educational and rehabilitative outcomes for the disabled in your goals and priorities statement?

Answer: The goals and priority statement for 1983 does address the goal of improving education outcomes for disabled youngsters and adults. It specifically states that one of the Department's objectives is to enhance cooperative links between special education and vocational rehabilitation, by increasing the coordination between the Individualized Educatonal Programs (IEPs) and the Individualized Written Rehabilitation Plans (IWRPs). The result of this increased coordination would be improved educational and rehabilitative outcomes for the children and adults served. The Department will continue to pursue this goal in 1984.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

STATEMENT OF GEORGE A. CONN, ACTING ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATION SERVICES

ACCOMPANIED BY:

DOUGLAS A. FENDERSON, DIRECTOR, NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

IMPACT OF LEVEL FUNDING

Senator WEICKER. Now, on this $1,036,727,000 being requested, that is level from 1983, the final budget authority of 1983, the initial administration request in 1983 was $650 million, again a situation similar to that in the handicapped. Vocational rehabilitation, where the congressional figures prevailed, again here, there seems to be level funding across the board.

Would you like to comment again upon the inflation factor and where this leaves the various activities covered by this act? Not less would be served.

Mr. CONN. Mr. Chairman, we feel that the amount is appropriate for the purpose for which the funds will be utilized.

Senator WEICKER. So the amount, according to the Congressional Budget Office, is a 4.9-percent inflation factor to rehabilitation services for handicapped. Is 3 percent still your figure that you apply to this? There is no increase here, is there?

Ms. CHRISTENSEN. No; there is no increase. This is level funding. However, it is over a 50-percent increase over last year's budget request.

Senator WEICKER. Fifty percent increase?

Ms. CHRISTENSEN. Fifty-nine percent increase.

Senator WEICKER. Fifty-nine percent increase?

Ms. CHRISTENSEN. From last year's request.

Senator WEICKER. Last year's request?

Ms. CHRISTENSEN. Right, which leads to the same argument I gave for the education of the handicapped account.

In reordering our priorities, this account was one of the higher ones and funded at the level provided by Congress last year.

Senator WEICKER. Let me say this out of fairness to the Secretary because I have already debated this matter with him, and there is no point in going over this again. I certainly appreciate the priorities that he has set within the Department.

On the other hand, I think that the priorities are out of whack in his Department compared to other departments. Mr. Conn here is one of the great advocates of the Defense Department. Maybe that is where he ought to be. But I am not at all convinced that this is the appropriate total that should be allocated for the various groups within the agency or the Department.

Ms. CHRISTENSEN. Mr. Chairman, putting defense aside, there are two other agencies that have about the same percentage decreases that we have. There are two that have double these decreases and one that is substantially decreased below us. We don't think that overall we are that low a priority——

Senator WEICKER. But I think——

Ms. CHRISTENSEN. For the White House.

Senator WEICKER. But again, in this instance here, it is clear there is going to have to be a reduction of services in 1984 even at level funding. And I would like to maybe have Dr. Fenderson comment on that where these reductions are going to take place.

Dr. FENDERSON. Our program is level funded..

Senator WEICKER. I understand that, ours is level funded, but I was wondering—obviously, those dollars are not going to go as far as in fiscal 1984 as they are going now.

Now, assuming you know the most optimistic projections, they still aren't going to go as far. And I am wondering where you expect services to be reduced.

Dr. FENDERSON. Most of the Institute's money supports research and training centers, which are large programmatic activities. The centers' activities have been refocused and the major emphasis is on substantive research.

Reductions will affect related training of other professional groups. Back in the mid-seventies, there was a change in Government programs and policies with regard to training of various professional groups. It was felt that given student loans and other arrangements, training was not as appropriate.

We focused more on the application and dissemination of information on the results of the research, and put less emphasis on formal training.

Senator WEICKER. Now, as I understand it, your area of expertise is National Institute of Handicapped Research; is that right?

Dr. FENDERSON. Yes, that's true.

IMPACT ON NUMBERS SERVED

Senator WEICKER. Who do we have representing those moneys that are being allocated to service projects, independent living, and training?

Mr. CONN. I am the Commissioner of Rehabilitation Services, Mr. Chairman.

Senator WEICKER. Maybe you would like to indicate to me what is going to happen here.

Mr. CONN. With specific regard to the program in 1984?

Senator WEICKER. Yes.

Mr. CONN. In terms of the data regarding people served, in 1984, we anticipate that there will be 357,000 applicants accepted for vocational rehabilitation. There will be a total of 985,000 active cases. We will close as rehabilitated 211,000, of which 135,000 would be severely disabled, and 76,000 nonseverely disabled. The percentage of the severely disabled will rise from 60 percent in fiscal year 1983 to 64 percent in 1984, consistent with the congressional mandate to serve the severely disabled on an order of selection priority.

The cases closed as not rehabilitated will represent about 122,000. The cases on hand at the end of the year, we estimate will be 652,000.

There is always a number of cases entering and terminating, in the pipeline.

Ms. CHRISTENSEN. I would just add within all of those statistics, the important one is that of the cases closed, the number of severely disabled would decrease by only 2 percent. The total decreases are not as great as they appear to be.

Senator WEICKER. But if it increased by 2 percent, the numbers——

Ms. CHRISTENSEN. I said decrease by 2 percent.

Senator WEICKER. A decrease of 2 percent in terms of numbers?

Ms. CHRISTENSEN. Numbers served.

Senator WEICKER. All right. Applicants accepted for vocational rehabilitation, you expect to go down from 361,000 to 357,000. Total active cases are up slightly from 984,000 to 985,000. Cases on hand at the end of year, you expect that to be up from 628,000 to 652,000.

I still don't see where there doesn't have to be some cutback in services on the basis of a level funding of this proposed legislation.

Ms. CHRISTENSEN. We are not saying there would not be slight cutbacks because of the increased medical costs. My point was that of those figures that you are looking at the severely disabled would be decreased by only 2 percent.

PROPOSED LEGISLATION

Senator WEICKER. You will be proposing legislation to—among other things reward States for performance in rehabilitating most severely disabled. Can you tell me what kind of carrot you intend to apply?

Ms. CHRISTENSEN. Mr. Chairman, the philosophy behind our proposed legislation is to make States more accountable for program performance. We would reward States for achieving rehabilitation outcomes for severely disabled individuals in order to promote more functional independence on the part of these people.

Beginning in fiscal year 1985, we would allocate funds for basic State grants in this way: One-third of the funds would be allocated to the States on the basis of their performance in successfully rehabilitating severely disabled persons.

Placements and positions at or above the minimum wage, including placements in sheltered workshops, for instance, would be weighted higher than placements in households or other similar occupations.

The other two-thirds of the funds would be allocated basically using the current formula. We feel this would be a great improvement in emphasis on the severely disabled.

Senator WEICKER. When do you expect your legislative proposal to be before the committee?

Ms. CHRISTENSEN. Within the next week, hopefully the next few days, Mr. Chairman.

"JOBS" SUPPLEMENTAL BILL

Senator WEICKER. The Senate version of the "jobs" supplemental contains $5 million for projects with industry, which would increase the total available in fiscal 1983 to $13 million.

How would you utilize an extra $5 million to expand the projects with industry?

Mr. CONN. Mr. Chairman, could you give me some information on that because I have not received any details. I don't know whether the $5 million is to be assigned to the Department of Labor to be administered under the jobs program or if it is coming directly to the Department of Education. If it is coming to the Rehabilitation Services Administration, I can give you a very definitive answer.

Senator WEICKER. I think you should have the time to go ahead and give an answer to that. It is not something that is the law now; it is speculative just as everything else is.

Ms. CHRISTENSEN. Mr. Chairman, this is not something that would create jobs immediately. There would have to be at least 1 year's training to get these disabled people ready for employment.

Mr. CONN. Mr. Chairman, if the legislation is passed, it would enable us to start new projects linking private sector enterprises with nonprofit rehabilitation facilities and public-sector rehabilitation programs. This will allow the development of job training programs, job modification, and occupational development programs, while simultaneously placing heavy emphasis on the placement of disabled individuals on the job.

We would hope to do that by building on a foundation concept which would interface between the State rehabilitation programs and nonprofit private sector rehabilitation facilities such as Easter Seal, Good Will, and other organizations. They would provide the linkage with a consortium of industries in a common market area such as insurance, banking, restaurant, hotel, and motel, so we could greatly expand training, to put disabled people directly into jobs.

In addition, we would publish a notice in the Federal Register which would elicit applications for advanced technology grants in the area of microcomputers, and word processing, emphasizing home-based work. This could reduce the number of rehabilitation closures for homemakers or unpaid family workers. Utilizing new technology would allow people to earn income right in their home.

That would be our primary emphasis. We feel that we could probably realize somewhere between 5,000 to 6,000 new jobs in the first year with an equivalent return in terms of tax dollars and purchase of private goods.

CLIENT ASSISTANCE

Senator WEICKER. The number of persons rehabilitated in the basic State grant program has been declining over the past 8 years from a high of 361,000 persons in fiscal year 1974 to an estimated low of 225,900 persons in fiscal year 1982.

Given these figures, what is your justification for eliminating funds for client assistance and proposing that this activity can be conducted by the States with funds provided under the basic State grant program?

Mr. CONN. Mr. Chairman, the client assistance program was conceived to operate outside of the State agencies to insure that the State agencies complied with the law and provided services to disabled people.

We feel that over the past few years that the administration of the State programs has improved to such a degree, the client assistance program can now be phased out.

REGULATIONS

Senator WEICKER. It is my understanding that regulations governing what is to be included in State vocational rehabilitation plans have been superseded by your agency's directions. Is that so?

Mr. CONN. I am sorry, sir, would you mind repeating that?

Senator WEICKER. It is my understanding that regulations governing what is to be included in State vocational rehabilitation plans have been superseded by your agency's directions. Is that so?

Mr. CONN. If you are referring to our deregulatory process, that process has not been completed. The regulations that we have developed are being reviewed in the Office of the General Counsel.

Senator WEICKER. Well, the States, are they following the existing regulations——

Mr. CONN. Yes, sir.

Senator WEICKER [continuing]. Or are they following your directions?

Mr. CONN. No; existing regulations.

Senator WEICKER. Well, the note I have here on the question is that documentation is no longer required in State VR plans: (*a*) that necessary post employment services are provided to disabled workers; (*b*) that disabled persons and service providers participate in developing the State plan; (*c*) that the public be provided the opportunity to review the State plan; (*d*) that training needs of staff are being met; and (*e*) that policies are established on how client financial need is determined.

These are no longer required in State VR plans; is that correct or not?

Mr. CONN. Mr. Chairman, I'm really not sure about the nature of the question.

COMPLIANCE WITH EXISTING LAW

Senator WEICKER. Well, let me be very simple in my response to you. I am trying to construct a budget, given a proposed legislation. This is now in the area of the matter of vocational and adult education. You people don't wait, in other words, for the Congress; you just move. And I am trying to find out now what is going on out there as to whether or not existing law is being observed or whether or not directions are sort of flowing in disregard of existing laws.

That is what I am trying to find out.

Mr. CONN. We are complying with existing law.

Senator WEICKER. So all these matters are now required in the State vocational rehabilitation bill?

Mr. CONN. One of the problems that we have had is our inability to collect data. However, we have just received word from the Office of Management and Budget that they have approved a State-generated evaluation plan and data performance plans called the R-911, which will replace the R-300.

We haven't received the official documentation, but we can proceed with the develoment of a data base. This will be a reporting device that we will be able to use which was generated, as I say, by the States.

In all other respects, we are complying with the law.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. We have other questions which we will be submitting for response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

INDEPENDENT LIVING

Question: The goal of the independent living program is to enhance the ability of a handicapped individual to live independently and function within his family and community and, if appropriate, to secure and maintain employment.

How do you assess the effectiveness of independent living centers in preparing severely disabled individuals for vocational rehabilitation services?

Answer: At this time we do not have adequate evaluation data on the effectiveness of independent living centers in preparing severely disabled individuals for vocational rehabilitation services. At least two States, (California and Wisconsin) have conducted studies of their own programs. These States concluded that the centers should continue because the provision of needed services for the severely handicapped is an integral part of the total continuum of care. The Wisconsin study of 301 clients whose cases were closed reported an improvement in 66.8 percent of these cases.

Question: What benefits are derived for severely handicapped individuals who are served by independent living centers but who are not able to progress toward a vocational objective?

Answer: In order to live in the community, severely disabled persons must deal with a wide variety of problems including affordable, accessible housing, transportation, medical care, minimum income, and, for many, some assistance in performing basic personal requirements of bathing and dressing.

Centers for independent living provide a mechanism for disabled persons to learn about and obtain services from the variety of sources that may be available. They enable severely disabled persons to work together solving and identifying problems. In addition, the individual benefits from being able to share experiences, concerns, and solutions, with other persons facing similar problems, as well as from the opportunity to meet people for social reasons.

Without solving basic survival needs, disabled persons cannot begin to address vocational plans. Once survival is assured, vocational planning and training can become feasible.

Question: To what extent are the services in independent living centers planned, administered, and delivered by severely handicapped individuals?

Answer: The Act requires substantial involvement of handicapped individuals in policy direction and management, and criteria by which applications are judged specifies such. However, the statute does not define "substantial," and the degree of involvement varies in practice. Although precise data is not available, the governing board of many if not most centers is composed of a majority of handicapped persons; some have executives who are handicapped; most have additional staff members who are disabled. In some centers, involvement is limited to that of an advisory body.

PROPOSED LEGISLATION

Question: You will be proposing legislation to, among other things, reward States for performance in rehabilitating the most severely disabled. Can you tell us what kind of "carrot" you intend to provide?

Answer: One-third of the funds appropriated for the basic State grants program would be distributed on the basis of performance. Performance would be measured according to the number of weighted rehabilitations of severely disabled persons relative to the corresponding performance for all States. Highest weight would be given to severely disabled rehabilitants who gain employment at or above the Federal minimum wage. States that perform well would be awarded a larger proportion of the performance fund than they would receive if the funds were distributed in the current manner. The prospect of receiving more Federal funds is the inducement that would be used to encourage States to improve their performance.

OVERALL FUNDING

Question: Overall, you are requesting no increase in funding for Rehabilitation Services and Handicapped Research programs. Total funding will be maintained at $1,036,727,000 and the basic State grants program is maintained at $943,900,000. Does inflation not affect these programs?

Answer: Yes, inflation does affect these programs. Part of the decrease in the number of rehabilitations projected for fiscal year 1984 is attributed to increased costs due to inflation.

SOCIAL SECURITY/REHABILITATION FUNDS

Question: The Omnibus Budget Reconciliation Act of 1981 repealed two provisions of the Social Security Act which had provided in excess of $100 million for the rehabilitation of Social Security Disability Insurance beneficiaries and Supplemental Security Income recipients.

What measures are being taken to overcome the loss of Social Security funds which previously supplemented the vocational rehabilitation basic State grants program?

Answer: Vocational rehabilitation services to Social Security Disability Insurance and Supplemental Security Income beneficiaries which were previously financed from Social Security funds are being financed by the basic State grants program. The increase in basic State grants funds of $80.8 million will aid in serving these beneficiaries. In addition, under the revised program States continue to be eligible for reimbursement for the costs of successfully rehabilitating SSDI and SSI beneficiaries into placements involving 9 months of substantial gainful activity.

The Rehabilitation Services Administration is also providing State agencies with additional guidance and technical assistance for more effectively using similar benefits and alternative funding sources, such as Medicare and Medicaid, in serving the disabled, especially the severely disabled population.

Question: What effect has this loss had on the delivery of vocational rehabilitation services?

Answer: The drop in funding of vocational rehabilitation services may result in a decrease in the number of Social Security beneficiary rehabilitations in fiscal year 1983 and subsequent years. The increase of $80.8 million in basic State grant funds will help to offset the loss in funding for services to these beneficiaries.

GAO REPORT

Question: In a report issued last September, the General Accounting Office found that some of the cases claimed as successful vocational rehabilitations appear not to have met eligibility criteria or are otherwise questionable.

What steps are being taken to assure that persons selected for services are truly handicapped in terms of employment, but are not so severely handicapped that rehabilitation services cannot realistically assist them in becoming employable?

Answer: The Rehabilitation Services Administration has requested the Council of State Administrators of Vocational Rehabilitation to review the eligibility question and provide us with their guidance and suggestions. An information memorandum informing all State vocational rehabilitation directors of the GAO findings was issued on January 19, 1983, in order to inform all State agencies of the review and the necessity of joint efforts to make program corrections. A program instruction will be issued providing guidance and requiring stricter application of eligibility criteria. In addition, our proposed amendments address this problem by rewarding States for successfully rehabilitating severely disabled persons.

Question: GAO also found that vocational rehabilitation funds have been used to pay postsecondary educational training costs for cases in which little or no effort appears to have been made to locate other sources of funding.

What administrative corrections can be undertaken to assure that diligent effort is made to utilize other sources of assistance prior to approving the expenditure of vocational rehabilitation funding for this purpose?

Answer: Before the GAO Report was issued, the Rehabilitation Services Administration issued joint guidelines with the Office of Student Financial Assistance regarding postsecondary education training costs. This was followed up by training sessions. Then, in 1982, the Department contracted for an evaluation to study the effectiveness of State procedures and to propose policy and procedure options to more effectively utilize grant assistance and abate the problems of differences in eligibility and policy between the two programs. The contractor's report is due shortly.

NUMBERS OF PEOPLE SERVED

Question: In your information memorandum dated September 14, 1982, you stated the following: "In fiscal year 1981, the total number of persons served and rehabilitated declined from the year before, the former for the sixth consecutive year and the latter for the sixth time in seven years. The 225,881 were the fewest in twelve years." For fiscal year 1982, 225,000 were rehabilitated.

What have been the major causes of this decline and what actions do you recommend the Congress might take to reverse this trend?

Answer: The decline in rehabilitations is attributed to (1) the steady loss in the purchasing power of the rehabilitation dollar; (2) reduction of Social Security monies; and (3) emphasis on serving the severely disabled for whom services are more costly. In addition, the likelihood of success with individual cases has diminished. In the mid-1970s, seven in every ten closures from the active status resulted in a rehabilitation. By fiscal year 1982, the success rate was only about six in ten. Severely disabled persons, in general, are less likely to be rehabilitated than those not severely disabled.

The downward trend in successful rehabilitations is of great concern especially the loss in the number of severely disabled persons served and rehabilitated in each of the last three years. What concerns us even more, however, is the quality of the placements for the severe. In fiscal year 1981 more than 50 percent of severe rehabilitants were placed in jobs below the Federal minimum wage. To address this problem we recommend that the Congress give favorable consideration to our performance-based funding proposal which provides a financial incentive for placing severely disabled persons in jobs which achieve economic independence.

Question: Won't your recommendation for State grant funding of $943.9 million result in a further decline in both persons served and rehabilitated?

Answer: This level of funding probably will not halt the continuing decrease in the total number of persons served and rehabilitated. This amount of funding, however, together with performance-based funding should be sufficient to ensure that State agencies increase their numbers of severely disabled clients who are served and rehabilitated. This is our goal.

EFFECTIVENESS OF VOCATIONAL REHABILITATION

Question: The Office of Management and Budget, in an effort to ease the reporting requirements on State agencies, has reduced the amount of program information and caseload data previously required to be reported to the Rehabilitation Services Administration.

Are you concerned that this reduction in reporting requirements could undermine the ability to assess the effectiveness of vocational rehabilitation services?

Answer: The recent reductions in approved reporting requirements will not seriously undermine or reduce the ability to assess the effectiveness of vocational rehabilitation services. For example, the greatest reductions in data approved for collection occured in the area of reporting client case services and characteristics, not in the reporting of caseload data which has remained relatively intact. To meet the continued information needs in the case service/

characteristics reporting area a proposed data collection system was developed jointly by the Council of State Administrators of Vocational Rehabilitation and the Rehabilitation Services Administration. The system that was recently approved for use by the Office of Management and Budget was only slightly different from the proposed reporting system which the Council identified as the minimum necessary to adequately administer the vocational rehabilitation program.

Question: Exactly what information is being collected from the State vocational rehabilitation agencies to enable the Congress to effectively assess program costs, benefits, and overall effectiveness?

Answer: The following information which has been and will continue to be available is based on the data collected on forms already approved by the Office of Management and Budget, and on the assumption that pending forms will be approved as requested:

1. Caseload Data (collected quarterly):
   Numbers of Individuals:
     Accepted for vocational rehabilitation services
     Not accepted for vocational rehabilitation services
     Accepted for extended evaluation
     Served
     Rehabilitated
     Not rehabilitated

   These data are then compiled, analysed, and displayed at National, Regional, State, and State agency levels.

2. Client Characteristics (collected annually)
   Age
   Race
   Sex
   Disability
   Work status at application and closure
   Earnings at closure
   Time in the vocational rehabilitation program
   Education
   Services provided
   Type of public support
   Cost of purchasing services for the client

   These characteristics are tabulated and analyzed both singly in terms of counts and percentages and in conjunction with other known or collected and tabulated client characteristics.

3. Financial Data:
   On a quarterly basis, data is collected from each State vocational rehabilitation agency on expenditures made by the agency.

   On an annual basis, data is collected from each State vocational rehabilitation agency on the total expenditures made during the fiscal year. Expenditures are displayed by type, amount, and subcategories within type.

4. Miscellaneous Data:
   Data are collected annually on the number of rehabilitated clients receiving post-employment services, the number of reviews of workshop placements conducted and the number of reviews of ineligibility determinations.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Question: What steps have been taken to improve the leadership and coordination functions of the National Institute of Handicapped Research?

Answer: Since the confirmation in January 1983 of Dr. Douglas Fenderson, the new Institute Director, new plans are being initiated for the activities of the Interagency Committee on Handicapped Research. Dr. Fenderson and the Executive Director of the Interagency Committee have been undertaking personal visits with the designated members of the Committee to obtain their views on Interagency agenda items.

The development of a computerized Interagency Rehabilitation Research Information System is underway and should be operational by September 1983. This system will serve as a repository for all on-going Federally funded rehabilitation research projects. It will provide the method to identify gaps, overlaps, and provide opportunities for research coordination. There are 32 Federal agencies funding rehabilitation activities.

Question: What initiatives are underway to increase the dissemination and utilization of rehabilitation research results?

Answer: Final reports are required of all grantees and copies of the reports are collected and disseminated through the National Rehabilitation Information Center located at Catholic University in Washington, D.C. The Center offers library and information services on rehabilitation research and technology to the entire United States rehabilitation community and the rehabilitation community overseas. REHABDATA, the bibliographic data base, contains over 7,500 documents; ABLEDATA, a system on commercially available devices for handicapped persons, has over 5,000 entries.

The Institute disseminates to some 30,000 users, Rehabilitation Briefs, which are short digests of research information in language that is easy to understand and put into practice. Specific monographs, seminars, conferences, and other public information and education efforts are sponsored from time to time to provide information to various concerned groups.

In order to provide links between foreign and domestic research information producers and users, several exchange of experts and information programs are supported. These include the World Rehabilitation Fund's fellowship and monograph programs, the RIUSHARE international rehabilitation film festival and the PATH/81/AMERICAS technical information center program in Latin America. The International Research, Information and Training Center at Michigan State University networks rehabitation information both nationally and internationally and provides opportunities for international students to gain experience in rehabilitation research.

Question: Has there been an effective and positive relationship between the National Institute of Handicapped Research and the National Council on the Handicapped? And if not, what is the problem?

Answer: The first Council and the Institute maintained consistent interaction in the development of the Council's policies for the Institute. The Council, essentially in an advisory capacity, aided in the development and selection of the National Institute of Handicapped Research's research priorities for fiscal year 1983.

The Council also recognized that the parameters of many Institute policies are set or implied by the legislation itself or by the mandated Long-range Research Plan. Given this fact, and as a result of the cooperative working relationship which evolved between the initial Council and the Institute, both the policy document and the recommended priorities were guidelines which generally could be followed.

Just as a good working relationship was forged with the initial Council, it is anticipated that a cooperative and mutually helpful interaction will develop with the current Council.

VOCATIONAL REHABILITATION STATE PLAN REGULATIONS

Question: It is my understanding that regulations governing what is to be included in State vocational rehabilitation plans have been superseded by your Agency's directions. Is this so?

Answer: The 1983-1985 pre-print does not reflect all of the requirements that the States must comply with under existing law and regulations. This is the case because this new pre-print was revised to incorporate some of the changes the Department expected to make in the regulations for the VR program during the regulatory review being undertaken pursuant to Executive Order 12291.

The Department had originally planned to complete its review and issue final regulations by October 1982, the date the new three-year State plan cycle became effective. Because of delays in the deregulation process, the regulations have not been revised along the lines reflected in the new pre-print. Since the States are required to comply with the current regulations, RSA plans to issue an amendment to the State plan pre-print incorporating the provisions that had been deleted.

Question: Isn't this a violation of the general rule of administrative law that an agency must follow its own regulations?

Answer: The pre-print was revised in anticipation of changes that the Department expected to make in the regulations for the program. In light of the fact that no changes have yet been issued to the existing regulations, the Department will continue to enforce the current regulations. The Department expects to issue an amendment to the State plan to ensure that the States are aware that they are expected to comply with all requirements in the existing regulations.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

REHABILITATION SERVICES - SERVICE PROJECTS

Senator Proxmire: Page 143 of the justifications concerning Service Projects states that funding for activities more appropriately conducted at the State level would be discontinued or phased down. What are these activities?

Answer: The two program activities which are considered to be more appropriately conducted at the State level are client assistance projects and special recreation programs.

CLIENT ASSISTANCE

Senator Proxmire: You are requesting no funds next year for client assistance. What impact will this sudden termination of support have on the projects currently under way?

Answer: These projects have been effective in helping clients to deal with problems concerning service delivery and the State agency to improve its practices. The decision not to fund the client assistance program is a matter of priorities. The fiscal year 1984 budget request places greater emphasis on work enhancement programs. Discretionary activities that can be more appropriately carried out at the State and local levels are not proposed for funding. The experience gained with this program over the years, provides the model for States to use in incorporating these activities under the basic State grants program. Some States, such as Arkansas and Minnesota, have already demonstrated a willingness to do this.

TRAINING

Senator Proxmire: The training program for rehabilitation personnel has undergone a 12 percent reduction in the past two years. What impact has this reduction had on the availability of qualified workers to work with the severely handicapped?

Answer: The reduction in funds for training rehabilitation personnel amounted to 12 percent in fiscal year 1982. This decrease in funds led not only to a decrease in the number of training projects but also to a reduction in the overall number of rehabilitation professionals trained to provide rehabilitation services to severely disabled individuals. These include professionals in the allied health personnel categories (physical therapists, occupational therapists, rehabilitation nurses, speech pathologists and audiologists, rehabilitation psychologists, rehabilitation social workers, and recreational therapists). These professionals are most frequently involved in providing direct services to severely disabled individuals in developing their skills in independent living and in attaining gainful employment.

INDEPENDENT LIVING

Senator Proxmire: If Congress goes along with your proposal to fund the independent living program at the current funding level of $17,280,000, what would happen to the 1,000 severely disabled individuals who would be unable to participate in the program next year? Your justifications state that the fiscal year 1984 requirement would support an estimated 73 community-based projects providing services to about 16,000 severely disabled people—as opposed to the current 78 projects and 17,000 severely disabled.

Answer: All independent living projects now in place will receive their last year of funding in fiscal year 1983. Grant awards for fiscal year 1984 will be new grants. It is anticipated that not all existing grantees will apply for new awards. The new projects will experience a phase-in period which will reduce the total number served during the first year. Many of the current independent living projects will continue to operate and provide services with local, State, and private sources of funding.

PROGRAM PERFORMANCE ACCOUNTABILITY

Senator Proxmire: How do you propose to make the States more accountable for program performance in fiscal year 1984, as noted in the justifications? Isn't the Administration's strategy to keep everything in a "holding pattern" until Congress accepts or rejects the Adminstration's proposed legislative changes, which would take effect in fiscal year 1985?

Answer: Under the proposed amendments, part of the funds appropriated for the basic State Grant program in fiscal year 1985 would be distributed on the basis of the States' performance in rehabilitating the severely disabled during the prior year. Therefore, under the proposed amendments the States would be held accountable for their performance in 1984. In addition, a proposed amendment to the State plan provision that would be effective in fiscal year 1984 would require the States to provide for review of their basic program, including adherence to program requirements such as eligibility and case closure.

GAO REPORT

Senator Proxmire: A recent GAO review reported that improved administration would result in more effective utilization of program funds. In many cases, services were provided to individuals who did not appear to have a substantial handicap to employment.

For example, 41 percent of the individuals who received restorative services, such as new eyeglasses or hearing aids, were employed at the time they participated in the program and most returned to their jobs or similar employment after obtaining these items.

GAO also pointed out that the statistics reported by State and local agencies on the number of successfully rehabilitated individuals were exaggerated. What have you done to correct the problem?

Answer: The Rehabilitation Services Administration requested the Council of State Administrators of Vocational Rehabilitation to review the eligibility question and provide to us their suggestions and guidance. An information memorandum informing all State vocational rehabilitation directors of the GAO findings was issued on January 19, 1983, in order to inform all State agencies of the review and the necessity of joint efforts to make program corrections. A program instruction will be issued providing guidance and requiring a stricter application of eligibility criteria.

Continued efforts will include steps to require more accurate reporting of the number of persons rehabilitated. By "exaggerated," the GAO study was referring to improper application of criteria in the classification of cases served and closed. Because some of the cases studied did not meet the standards of having received substantial services which resulted in their employment, they should have been closed in a classification other than successfully rehabilitated.

In addition, the proposed amendments to the Rehabilitation Act address some of the problems identified by the GAO. For example, the amendments are designed to strengthen the priority on the severely disabled by distributing funds on the basis of the States' performance in rehabilitating the severe. The amendments also add two new provisions requiring the State to provide for independent financial and compliance audits every two years and a review of adherence to program requirements such as eligibility and case closure.

Senator Proxmire: GAO also questioned the rehabilitation potential of some of the people in the program. Regulatory requirements provide for administrative review of a decision to deny vocational rehabilitation services, and many counselors prefer to take the easy way out by stretching the eligibility criteria, thus avoiding any time-consuming challenges.

GAO said counselors may be accepting clients with little likelihood of benefiting from rehabilitation services in terms of employment because of the influence of other programs. For example, according to rehabilitation officials in one State, the rehabilitation program was being asked to provide (and, in some cases, threatened with legal action if it refused) services for deinstitutionalized mental patients even when it was doubtful that these individuals were prepared to engage in programs preparing them for employment.

For example: A 55 year old man diagnosed as a schizoprenic with an IQ of 76 was referred to the State agency by a mental hospital. He had been institutionalized for 30 years in a State mental institution. While institutionalized, the client had a lobotomy, and at the time of referral he was heavily medicated. According to the case file, he displayed a lack of motivation and produced little work at a sheltered workshop. The agency lost contact with the client for 11 months, when a new counselor was assigned to the case. The new counselor never talked to the client.

What has the Department done to correct this kind of situation?

Answer: Ongoing monitoring and technical assistance, as well as the action plan to deal with the problems uncovered in the GAO study, will focus on the issue of severely disabled applicants as well as those who have handicaps of questionable substantiality.

As the GAO report pointed out, their study was too small to generalize to the program as a whole. Although there certainly are instances of improper intake of severely disabled individuals, the Rehabilitation Services Administration and the State agencies are engaged in a sustained drive to serve more severely disabled persons who can benefit from rehabilitation services. Our proposed amendments would strengthen these efforts by rewarding States on the basis of their performance in successfully rehabilitating the severe.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until Monday at 8:30 a.m. when we will consider the budget for higher education.

[Whereupon, at 10:34 a.m., Thursday, March 10, the subcommittee was recessed, to reconvene at 8:30 a.m., Monday, March 14.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, MARCH 14, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:34 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Proxmire, and Rudman.

DEPARTMENT OF EDUCATION

POSTSECONDARY EDUCATION

STATEMENT OF EDWARD M. ELMENDORF, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

- GARY L. BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION
- JAMES W. MOORE, DIRECTOR OF STUDENT FINANCIAL ASSISTANCE PROGRAMS
- C. RONALD KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION PROGRAMS

PREPARED STATEMENTS

Senator WEICKER. Good morning. Today, we welcome Dr. Edward M. Elmendorf, Assistant Secretary for Postsecondary Education, and his colleagues to discuss the proposed fiscal year 1984 budget for student financial assistance, guaranteed student loans, higher education programs, and other areas. We will also discuss proposed rescissions for the current fiscal year.

Because of time constraints this morning, we will ask Dr. Elmendorf to present statements for the student financial assistance programs, guaranteed student loans, and the higher education budget. Statements on related areas will be included in the hearing record.

Dr. Elmendorf, we are pleased to have your testimony. You may proceed in any way you deem appropriate.

Would you please introduce your colleagues that accompany you?

Your statements will be included in the record.

[The statements follow:]

STATEMENT OF EDWARD M. ELMENDORF

Student Financial Assistance

It is a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for fiscal year 1984 is $3,567,800,000--the same amount that is available for fiscal year 1983.

While total funding would remain the same, we are proposing a major philosophical reorientation of the Federal student aid programs designed to help restore the traditional roles of the family and the student as the parties primarily responsible for meeting college costs. Our proposed distribution of funds among the student financial assistance programs reflects this new philosophy. A restructured, self-help based Pell Grant program is proposed for funding at $2,713,800,000--a $295,000,000 increase over 1983 Pell Grant funding, while the Work Study program is proposed for funding at $850,000,000--an increase of $310,000,000 over 1983. In addition, we are proposing a significant tax incentive to help parents meet their responsibilities regarding college costs--a program of Education Savings Accounts. Tax-free earnings on these accounts will encourage parents to plan and save for their children's postsecondary education.

Currently, the student relies on the Pell Grant as the first source of financing. To this is added subsidized loans, other grant aid, and student earnings. Under our proposed restructuring, beginning with the 1984-85 academic year, students would be expected to meet the first 40 percent of their educational costs, with an $800 minimum, before qualifying for Federal grant funds. This "self-help" expectation could be met using federally-subsidized work and loans, as well as other resources.

Pell Self-Help Grants

The focal point of our proposal is the Pell Self-Help Grant restructuring. In addition to building explicitly upon an expected student contribution, the proposed Self-Help Grant will be based upon increased expected contributions from middle income families. It will also be more sensitive to educational costs, less prone to award errors, more equitable across States and types of institutions, and more fairly and consistently distributed among students than the current grant programs. Our proposal will eliminate inequitable differences in student treatment due to differences in institutional program participation, various allocation formulas and institutional award policies.

The Self-Help Grant offers the following advantages:

-- The proposed maximum award of $3,000 will be more cost-sensitive and will provide financial support to help students attend schools with higher costs. The proposed award rules have been carefully structured to provide adequate aid to low income students attending low cost schools and additional financial support for needy students attending higher cost institutions.

-- For the first time, the family's expected contribution will be taken into account in all situtations. Under the current Pell Grant program the expected family contribution is not taken into account whenever the "half-cost" rule applies. Thus, individuals with substantially different family financial resources often receive the same amount of Pell Grant assistance.

-- For the first time, students will be expected to contribute financially to their own educational costs. Currently, Pell Grants are not dependent on self-help contributions. It is now possible for a student to finance his or her postsecondary education entirely with Federal grant aid, making no personal financial commitment. Our grant proposal will reestablish the principle that those who are the primary beneficiaries of higher education have a primary responsibility to help finance its costs.

-- The establishment of one grant program with one set of award rules will, for the first time, provide consistency in Federal grant amounts for students in similar family financial and educational cost situtations. Under the current combination of programs, varying award calculations, allocation formulas, and institutional policies determine the student's level of Federal grant assistance --which may result in substantial differences in student treatment.

-- The use of only five data elements to determine family financial strength, as opposed to the 22 elements used at present in the Pell Grant program, will simplify the program, reduce waste and abuse, and improve equity in the distribution of awards.

The restructured Pell Self-Help Grant program is proposed for full funding at $2,713,800,000 with a maximum grant of $3,000. This funding will provide nearly 2.1 million students with grants averaging approximately $1,300. I would like to emphasize that our funding request and proposed legislative reforms must be considered as a package.

Work Study

Consistent with the emphasis on self-help, we are requesting an increase of $310,000,000 for the Work Study program, which would raise funding to $850,000,000 for fiscal year 1984. The expanded Work Study program will afford over 1,155,000 students the opportunity to work in order to meet the self-help expectation. This represents an increase of 345,000 jobs over fiscal year 1983. Average earnings will increase to about $800, thus providing a resource that could meet the minimum self-help expectation for substantial numbers of grant recipients.

Direct Loans

While no new Federal capital is requested for the National Direct Student Loan (NDSL) program for fiscal year 1984, approximately $550,400,000 will still be available for new loans in academic year 1984-85 using repayments to institutional revolving funds on outstanding loans. Outstanding NDSL loan volume now totals some $4.7 billion--which reflects over 20 years of Federal appropriations. We estimate that this funding will provide 688,000 students with average loans of $800, again, an amount sufficient to meet the minimum self-help expectation. Students needing additional loan assistance will, of course, have access to the Guaranteed Student Loan program.

Supplemental Grants

No funding is requested for the Supplemental Educational Opportunity Grant (SEOG) program for fiscal year 1984. The Pell Self-Help Grant program will not only accomplish the primary purpose of the SEOG program--that of expanding institutional choice for needy students--but will also benefit recipients at a larger number of institutions and will provide a more equitable distribution of awards among needy students. It should be noted that the SEOG authority will be retained, and will continue to allow the optional use of up to ten percent of an institution's Work Study funds for Supplemental Grants.

State Student Incentive Grants

Our budget request calls for repeal of the State Student Incentive Grant program. The goal of the program--that of stimulating all States to provide need-based grants to postsecondary students--has been accomplished. All States now have programs, and in fact most States considerably overmatch the Federal contribution, suggesting considerable State level commitment regardless of Federal expenditures. Of 41 States which overmatch Federal funds, 23 provide at least 68 percent more need-based grant aid than is required to match Federal funds. While more than $1 billion in State grant aid is being made available in fiscal year 1983, the Federal SSIG contribution is only $60 million of that total. State expenditures have continued to expand even as Federal funding has dropped or remained level. State spending for grants to needy students increased by almost ten percent for academic year 1982-83--as the Federal contribution to SSIG declined by 4 percent. The stimulant of Federal funds is clearly no longer necessary.

In total, our 1984 budget request will generate approximately $11,386,000,000 in aid for students, an increase of $628 million over fiscal year 1983. Our proposals have been carefully designed to maintain the historic Federal commitment to removing financial barriers to postsecondary education while at the same time simplifying the Federal student assistance programs, providing greater equity in awards, and restoring the traditional role of parental and student contributions. We hope you will find them worthy of your endorsement.

Education and Research Overseas

(Special Foreign Currency Program)

I am pleased to appear before you today to present the fiscal year 1984 request for the Education and Research Overseas account. The programs supported under this account are funded solely from foreign currencies held by the Treasury Department which are determined to be in excess of other requirements of the government. No U.S. dollars are ultimately expended because expenditure in foreign currency accounts are offset by reimbursements to the commodity credit corporation. An equivalent of $1.75 million is requested.

Rehabilitation Research

This activity, administered by the National Institute of Handicapped Research, provides for the conduct of research concerning the problems encountered in the rehabilitation of handicapped individuals. Grants will continue to be made in the four remaining participating countries--Burma, Guinea, India, and Pakistan. No new budget authority is requested for Rehabilitation Research as carry-over balances from prior year appropriations are adequate for the continuation of this activity. In 1984, projects to be supported will focus on various medical rehabilitation problems.

Educational Activities Overseas

The Educational Activities Overseas (formerly Grants to American Institutions) program is also supported by this account. This program supports overseas activities authorized by the Fulbright-Hays Act. Projects focus on the study of foreign languages, areas studies, world affairs, and international understanding. These activities include a variety of educational training activities, research projects, and curriculum development projects in such critical areas of the world as the Middle East and the Indian sub-continent. Participation in the overseas activities enables American scholars to update and strengthen their foreign language competencies and to remain current in their particular area of expertise.

For these activities, a total of $1.75 million is requested for fiscal year 1984, an increase of $1.2 million over the 1983 level. An increase is requested because much valuable research can be conducted in the countries where the excess currencies are available without the expenditure of any U.S. dollars.

Guaranteed Student Loans

We appreciate this opportunity to appear before you to discuss the appropriation request for the Guaranteed Student Loan (GSL) program. We are requesting $2.047 billion for GSL program activities in 1984. We are also proposing a 1983 rescission of $900 million from the appropriation of $3.101 billion provided under the 1983 Continuing Resolution. The budget requests for 1983 and 1984 thus represent a significant decrease--almost one billion dollars--in program costs compared with the 1982 appropriation of $3.074 billion. The reduced costs can be attributed primarily to the success of the President's economic program in lowering interest rates and consequently reducing the major GSL subsidy cost--the special allowance paid to lenders--which is directly tied to the 91-day Treasury bill rate.

The 1984 Budget Request

The overall student financial aid budget strategy for 1984 is to restore the traditional roles of the family and the student as the parties primarily responsible for financing postsecondary education costs. The 1984 strategy reflects our conviction that Federal grant aid should be available only after consideration of reasonable family and student contribution expectations. The GSL program plays a major role in this strategy in that students can use GSLs to meet their self-help expectations and parents can use auxiliary GSLs to meet their expected family contributions.

In addition, enactment of the following statutory changes to the GSL program will reduce Federal costs while discouraging unnecessary borrowing and encouraging the reasonable use of savings and other family resources for education purposes:

Need Analysis: For the regular GSL loan, the need analysis requirement will be extended to all family income levels. "Across-the-board" need analysis is a logical extension of current law under which students with adjusted family incomes over $30,000 are required to undergo need analysis to determine eligibility. It will eliminate unnecessary borrowing, thus reducing Federal credit exposure, and it will ensure that Federal subsidization benefits are distributed more equitably among students.

Origination fee: The regular loan origination fee will be increased from 5 to 10 percent only for graduate and professional students. This proposal acknowledges that graduate students generally enjoy higher incomes during loan repayment and are therefore less in need of high Federal subsidies. Federal interest subsidy costs will thus be reduced while at the same time these students will remain eligible to borrow under the regular GSL program.

Loan Advances: Guarantee agencies will be required to return loan advances which are no longer needed. All but one State now have 100 percent Federal reinsurance of the loans guaranteed under their programs.

Under proposed legislation which will require 100 percent reinsurance for all agencies, the agencies will no longer need to retain the large interest-free Federal loan advances in their reserve funds.

Assuming these changes take effect July 1, 1983, required budget authority for 1984 will be $2.047 billion, compared with a current law estimate of $2.169 billion--a savings of $122 million. Loan volume in 1984 under the proposal is expected to reach $7.198 billion ($6.420 billion in regular loans and $778 million in auxiliary loans), compared with current law projections of $7.263 billion ($6.551 billion in regular loans and $712 million in auxiliary loans). The number of recipients is expected to total about 2.9 million under both our 1984 policy and under current law, although there is expected to be a slight shift of recipients from regular loans to auxiliary loans under our proposal compared with current law.

The 1983 Rescission Request

We are requesting a rescission of $900 million for fiscal year 1983. We estimate that program costs will be $2.201 billion in 1983, or $900 million less than the $3.101 billion appropriation provided under the 1983 Continuing Resolution.

Our cost estimate is based on lower projections of Treasury bill rates and outstanding loan volume in 1983 than those used by the Congressional Budget Office in developing the cost estimate used for the Continuing Resolution.

The rescission will not affect program activity, but will merely rescind funds determined to be unneeded under our cost projection.

Higher Education Facilities Loans and Insurance

I am pleased to have this opportunity to appear before you to present our fiscal year 1984 request for the Higher Education Facilities Loans and Insurance account. In fiscal year 1984, a total of $19,846,000 is requested, a decrease of $297,000 from fiscal year 1983. No funds will be required under the permanent appropriation.

Because the Department must pay the difference between 11 percent, the anticipated rate charged by Treasury in 1984, and 3 percent, the rate at which the Department has made past loans, there is an annual operating deficit. Prior to fiscal year 1982, the unobligated balance in the loan account was sufficient to cover the program's annual operating deficits. In 1982, however, the unobligated balance in the account was finally depleted. As a result, appropriations are required to fund current operating deficits.

No funds are requested for new construction in fiscal year 1984.

This concludes my statement. My colleagues and I will be happy to answer any questions you may have.

BIOGRAPHY OF EDWARD M. ELMENDORF

NAME : Edward M. Elmendorf

POSITION : Assistant Secretary for Postsecondary Education

BIRTHPLACE AND DATE : Oneonta, New York, August 1, 1939

EDUCATION : Hartwick College, Oneonta, New York, 1961, B.A.
Springfield College, Springfield, Mass., 1966, M.A.
University of Massachusetts (Amherst), 1975, Ph.D.

EXPERIENCE :

PRESENT : Assistant Secretary for Postsecondary Education

1981 - 1982 : Deputy Assistant Secretary for Student Financial Assistance

1974 - 1981 : President, Johnson State College, Vermont
Appointed in 1974 by the Vermont State Colleges' Board of Trustees as the chief executive officer and institutional spokesman

1973 - 1974 : Vice President for Administration
Acting President, January to June, 1974,
Johnson State College, Vermont
1972 - 1973 : Doctoral Candidate, University of Massachusetts
1966 - 1972 : Dean of Admissions, Financial Aid and Housing
Assistant to the President, Director of Summer
Sessions, Johnson State College, Vermont
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ASSOCIATION
MEMBERSHIP : Elected President - Vermont Higher Education Council of Presidents, 1976-1977

Elected Vermont State Representative - American Association of State Colleges and Universities (AASCU), 1977-1980

Elected Vermont State Representative - American College Testing Program (ACT), 1973-1981

Elected New England Personnel and Guidance Association Board of Directors, 1971-1973

SINGLE SPACED

STUDENT FINANCIAL ASSISTANCE

Dr. ELMENDORF. When we move into the higher education portion, I will introduce Mr. Kimberling.

I would like to combine the loan account with the student financial assistance account and discuss them together if that is OK with you.

Senator WEICKER. All right.

Dr. ELMENDORF. President Reagan and Secretary Bell both were involved this year, directly involved, in setting not only the level but determining the philosophy behind the allocation of the student financial assistance accounts.

The outcome was that unlike last year we are requesting essentially the very same amount of money that we now have in 1983 for 1984. What we are requesting, however, is a different mix of those funds among work, loan, and grant accounts.

The request for level funding does not change the principles which underpin our request for the allocation of student financial aid dollars.

PRINCIPLES OF FINANCIAL ASSISTANCE

Let me just quickly reiterate these principles. The first one is that the family is the primary financier of college.

The second one is that all other sources of aid from the State, from the institution, and from private enterprise should be taken into consideration in helping to meet the cost of attendance at an institution.

After these primary sources have been considered, the third essential principle is that if there is still a gap remaining between what it costs to attend an institution of higher education and what the parents and others contribute, the Federal Government then has a specific role. That role is to target its funds in such a way as to help low-income students fill that gap.

We are proposing that the six different work, loan, and grant accounts be combined or consolidated in such a way that we have one major grant program, one major work program, and one major loan program.

Keeping that rationale in mind, let me go on to say that we feel that, with the ability to keep the same amount of funds in the account as now exists, we can have a much more cogent discussion about the distribution of the funds, the philosophy behind the funds, and some of the new proposals that we are introducing this year.

We expect to have overall in all of the student aid accounts about $5,600,000,000 which will generate more than $11 billion in total student aid for approximately 12 million awards to about 4,300,000 unduplicated recipients of aid.

In terms of the three programs, we hope that you would see these programs as a package and not each one in its isolated context. We are in fact expanding the funding for the grant program. We are expanding the funding for the work program, and we are making proposals to stabilize the guaranteed student loan program. At the same time the President has proposed legislation to establish educational savings accounts.

The express purpose of such accounts is for long-term planning on the part of low- and middle-income parents so that they might begin now to think about setting aside sums of money to be available in the 1980's, late 1980's and early 1990's, for their children's education, as costs of education continue to increase yearly.

The major philosophical approach that we are taking this year, is to incorporate all four principles that we have now outlined and add a new principle or philosophical approach that deals with a concept of self-help.

SELF-HELP PRINCIPLE

The self-help concept is one that puts the burden of responsibility on the student to begin to assume some share of the financing for the cost of higher education.

At the current time there are no tests of motivation that the APA or other psychological associations give, and there is not at any institution a specific test as to the seriousness of study in higher education.

We feel that a financial commitment by the student is one measure of their commitment to the seriousness of their education. But in terms of the self-help concept, we are essentially asking that the student contribute the lesser of $800, or the first 40 percent of their educational costs whichever is less. This contribution can be met from a variety of sources.

And when we say "a variety of sources," we are talking about sources except for the Federal grant. That could include work and loans. These are Federal dollars, State dollars, and any other source of financial assistance available to the student to help meet that self-help requirement.

The self-help concept we believe attacks some very serious shortfalls in the current program. One is inequity.

1984 SELF-HELP PROPOSALS

First, under the current Pell grant program, families of different income levels can essentially get different grants in the same set of circumstances. Second, we find that in a few cases students attend higher education without any assistance at all from parents or from themselves. In fact, grant assistance pays for that total cost. We think that is inequity in higher education.

We know there are inaccuracies in the program. We have submitted to Congress a quality control study that shows that approximately $650 million of $2,400,000,000 is awarded inaccurately, causing a situation where there are overawards in more cases than we would like to believe. We know that 19 percent of the recipients of the program would be ineligible if these inequities were corrected.

We would like to take the error out of the program and are proposing to do so by reducing the number of elements required for the calculation of the eligibility index in the program, now at 22. We would like to have only 5, and we would like to verify those using 1040 information.

We think that in terms of the sensitivity to rising costs of tuition across the country that this proposal allows us to meet that rising cost of tuition by having a grant that can go from a current level maximum of $1,800 to a maximum level of $3,000. That also allows for a differential grant increase for students attending institutions that go beyond the $3,600 cost. Right now any student attending an institution that costs more than $3,600 gets the maximum $1,800 and no additional amount of funding.

The other point we would like to make regards choice in higher education. We are doing a very good job, we think, of providing access to higher education with our current programs. However, we lose something in terms of the ability of a student to choose a higher cost institution, particularly those students who come from low income families. A student's ability to choose I think is increased by the proposals that we are making.

Finally, we would like to bring to your attention that in our Pell self-help grant program we are allowing for students to have some certainty of funding, which is not true in the supplemental educational opportunity grant program, where there is a limited amount of funding available and when institutions run out of that money the students have to find other sources of aid.

Let me quickly go through each of the programs and summarize what we are asking for.

In the major grant program, the Pell self-help program, we are asking for an increase of $295 million. We are trying to serve 2,100,000 students. The average grant in that program is going from $970 up to $1,300. It is an average increase of $330 per grant recipient, and 82 percent, or $8 out of $10 in the program, will go to students who come from families with incomes of $12,000 and under.

Let me make one other point about the Pell grant program. If we were not to incorporate our self-help concept and raise the maximum grant level from $1,800 to $2,500, as provided in the statute, the program cost would approach $4 billion.

CAMPUS-BASED PROGRAM PROPOSALS

The work-study program, which is the only work program in the Federal student financial aid fund area, we are increasing from $540 million to $850 million, or $310 million. It would increase the number of jobs by about 270,000.

It would continue to allow the transfer of funds from work-study into the SEOG program to allow institutions more discretion in making awards, and it would not require a match of the additional amount of money for institutions over their fiscal year 1983 level.

In the direct loan program, we are asking for no new capital contribution. We expect to get about $550 million from the revolving funds at institutions. This is money collected on loans that are outstanding. Institutions will reloan that $550 million to about 688,000 students.

There is an outstanding loan volume in that account of about $4.7 billion. We will also raise the interest rate on those loans to 9 percent from 5 percent.

In the supplemental educational opportunity grant program, we will not ask for any new funds. We will keep the authority on the books in order to be able to allow institutions to continue to transfer funds from work-study into this account if they choose. There are about 4,100 institutions participating in the supplemental grant program.

We would lose about 546,000 awards, by zero funding SEOG. However, you should be aware that there is an 87-percent overlap in the number of people who qualify for the current Pell grant program and those who qualify for the SEOG program.

STATE STUDENT INCENTIVE GRANT PROGRAM

Finally, in the State student incentive grant program, we would ask you to consider the repeal of this particular program. It was conceived of and developed by Congress in order to stimulate State grant and scholarship programs.

There were about 27 States with programs in 1974. There are now 57 different commonwealth trust territories and States that have these programs. Over $1 billion in State support is put into these programs for the $60 million that the Government puts in as a match.

Over 23 of these States over match Federal funds by 68 percent. And I would parenthetically note that last year the States increased their share in this funding program by 10 percent.

That encompasses the work-study and the grant program, Mr. Chairman. If you like, I will go right on into the loan program and finish up the student aid account.

GUARANTEED STUDENT LOANS

In the area of the guaranteed student loan program, which is the largest of all of the student loan programs, we would ask in this program that for fiscal year 1983 you grant our request for a rescission of $900 million. The $900 million will not disadvantage any student currently in the program. It is simply a reduction of $900 million based on reduced volume in the program and a revised calculation of the special allowance and in-school interest subsidy costs, which were earlier at a much higher rate than the current economy is requiring.

As you know, the President's success in helping to lower the interest rates has reduced the cost of that program, so that we think we can provide about $7,200,000,000 in private sector capital for about $2 billion in Government investment through subsidies and special allowances in fiscal year 1984.

We are only asking for these changes in 1984.

The first change is a major one. It is based on the fact that we feel all students who receive highly-subsidized loan dollars should have to prove to the institution that they need the amount of money that they are being given.

To achieve that, we have asked for a need analysis, which is a logical extension of the requirement Congress passed in 1981 that any family with an adjusted gross income over $30,000 must submit to a needs test. We would now like to see that extended to all students, so that there is not an overaward situation created for students in the guaranteed student loan program.

The second change is that we would, for the graduate student, increase the origination fee from the current 5 percent to 10 percent. We feel that the graduate student has a greater ability to repay the loan, as opposed to some of the undergraduate students.

And finally, the third change is we would ask the States to return to the Government the unneeded loan advances made to them, given proposed legislation which would provide 100 percent Federal reinsurance.

The effective date of changes we are requesting in the guaranteed student loan program is July 1, 1983.

With that closing statement, I believe that covers the work, loan, and grant programs, Mr. Chairman, and we would be available for questions on all of those accounts.

STUDENT COMMITMENT

Senator WEICKER. On the student financial assistance, in your description of the administration's philosophy, you indicate there is no test at present to ascertain the seriousness of the purpose, the commitment by the student.

Just out of curiosity, do you view a student's grade as a pretty good indication of seriousness, purpose, and commitment?

Dr. ELMENDORF. There have been a number of studies that not only combine the high school grades but test scores like SAT and ACT. That kind of indices used for admitting students to college is a predictor of who is likely to succeed or not.

In many cases, however, what we found is that, in fact, it is not a good indication of how hard students will work, how long they will persist, and whether they will continue through 4 years to graduate from the institution.

As a matter of fact, the attrition rate——

Senator WEICKER. These funds are not just going out, in other words, when the student applies for college. These are funds that the student uses throughout. Why aren't grades a good indication?

Dr. ELMENDORF. I would say grades are a good indication. In fact, it is a requirement that to receive these funds the student must maintain satisfactory academic progress. In other words, if they were not, in fact, continuing to achieve at a level that is satisfactory to that institution, they would not be eligible to receive financial assistance.

SERIOUSNESS OF PURPOSE

Senator WEICKER. Why do you need a new test as to seriousness of purpose?

Dr. ELMENDORF. The seriousness of purpose, I think, is an indication of whether or not the particular student is going to use the Federal funds in a judicious way, whether or not they are going to, as they have in the past, continue to rely on no contribution from the parent, no contribution from themselves, and the mere entitlement concept that exists under the current law that allows many students to receive grant dollars which do not have to be paid back to the Government.

Many don't continue much beyond the first semester, and there is no way for the Government to recapture the amount of grant dollars that is awarded to these students. We are finding that that is a potential abuse of the program that we would like to eliminate.

I can think of a program, for example, at the institution where I was president. It was a measure of commitment, and it had something to do with Federal financial aid funds. It was a summer program where students had to, in fact, give up their summer, give up their ability to earn additional funds in order to prove that they could continue to do high level work.

Most of them would not have been given an opportunity to attend an institution at all on the basis of grades or on the basis of test scores. But by achieving at least a C average in the summer they were able to get financial aid and to continue as freshmen in the fall.

That is the kind of commitment I think the self-help grant program will instill in students.

Senator WEICKER. You still have not answered my question as to the adequacy of grades. It pretty well decided the situation when I was in college, or decided the situation for my friends, as to whether they meant it or they were just messing around.

But the basic distrust—I think there is a basic distrust of all students here by the administration. Anybody who gets money is trying to rip off the Government. $800 is a lot of money to a lot of people. It is a lot of money.

Senator RUDMAN. Would the Chair yield on that point?

I believe that Dr. Elmendorf has misspoken, and I am sure accidentally. You said in your statement that the $800, or 40 percent, whichever is less——

Dr. ELMENDORF. $800 is the minimum, or 40 percent.

Senator RUDMAN. Whichever is more?

Dr. ELMENDORF. If I said whatever is less, I did not mean that.

Senator RUDMAN. That is an enormous difference. I read your justification, and when I heard you say that I checked with my staff to make sure I heard you correctly. I think we will correct the record. It is $800, or 40 percent of the total cost, whichever is more.

And that, of course, Mr. Chairman, casts a somewhat different light on this. I would like to get into this at the appropriate time.

ONE GRANT PROGRAM

Senator WEICKER. I notice on the account summary in effect what you are doing here is to block grant all of the programs, is that not correct, under self-help grants—Pell grants, supplemental opportunity grants, student incentive grants—putting them all under one heading? I am not talking about the distribution of the money. I am talking about how you present it to the Congress.

Dr. ELMENDORF. Yes, sir, it is considered under one major grant program.

Senator WEICKER. Doesn't that erode to some degree the ability to direct the funds wherever the need happens to exist?

Dr. ELMENDORF. No, sir, I think it provides consistency in the distribution so that students can be assured that no matter what the particular vagaries or funding levels of an institution might be, they are assured of getting the same amount of funding under the concept of self-help.

In the current SEOG program, as you know, students apply for funds which are given to institutions. When institutions run out of money, there is no way for students to get additional funds from the Government. They have to find those resources at the institutional level.

Under the self-help grant program level, it is like a quasi-entitlement. If the Pell grant payment schedule says that a student is due $1,800, they will get a guarantee that the $1,800 will be given to them.

In the SEOG program, we can only give out so many before we are out of money. I think there is a major difference between those two programs that would support the concept of the self-help.

MAXIMUM GRANT

Senator WEICKER. Under existing laws, students from disadvantaged and low-income families are eligible for several different types of grants up to $1,800 under the Pell grant program and up to $2,000 in the supplemental education opportunity grants. In addition, some students may also be eligible for State student incentive grants. In fiscal year 1983, all of these programs, for all of these programs, we appropriated $2,834,000,000.

Your budget and legislation to be submitted by the administration proposed eliminating these three grant programs and substituting a new self-help concept for which an appropriation of $2,713,000,000 is requested in the 1984 budget. This raises several issues. First of all, a disadvantaged student today under Pell and SEOG is theoretically eligible for a maximum grant of $3,800. That does not include a potential State incentive grant.

What is the maximum amount that a student will be eligible for under your self-help proposal?

Dr. ELMENDORF. $3,000 would be the maximum, and that does not include whatever assistance might be available from the States. The States would continue, I am sure, to provide the amount of money that they now provide which is well in excess of the $900 million.

Senator WEICKER. So it's $800 less, is what you're saying?

Dr. ELMENDORF. Yes, sir, although few students would ever receive $3,800.

Senator WEICKER. What effect do you think it will have on those that are in that category?

Dr. ELMENDORF. We know that 87 percent of the students that now receive the SEOG grant also receive Pell grants, so we see a great deal of overlap between the two programs. The average grant in the SEOG program is $620. The average grant in the self-help program will be about $1,300. Our proposal does, as I tried to explain before, give the students a relative degree of assurance that under the self-help grant program they can continue to receive the amount that they are entitled to regardless of whether or not the institution is able to continue to provide additional SEOG dollars.

As I said before, we have distributed about $355 million in SEOG dollars to institutions.

You just cannot give the maximum supplemental grants to every student who applies or you would be quickly out of money. In our proposal, those students would be given an assurance——

REDUCED NUMBER OF AWARDS

Senator WEICKER. Dr. Elmendorf, we give money to the Defense Department all over the place. Just on one project, you can encompass the whole bloody budget you are presenting here. We can give it within the restrictions of the Department of Education, that may be true, but within the concepts of an entire budget, that is another question entirely.

How many students will receive Pell grants under the fiscal year 1983 appropriation?

Dr. ELMENDORF. The budget estimate is about 2,500,000, although I think it might be a little bit less than that, as we begin to refine that estimate with the applications now coming in.

Senator WEICKER. How many receive SEOG's?

Dr. ELMENDORF. Approximately 550,000.

Senator WEICKER. How many were served by SSIG's?

Dr. ELMENDORF. From the Federal contribution, about 240,000, overall, about 1 million.

Senator WEICKER. How many do you estimate would be served under the new grant, not under work-study programs?

Dr. ELMENDORF. 2,100,000.

Senator WEICKER. Therefore, according to my calculations, these three student aid programs under the fiscal year 1983 appropriations will serve approximately 3,300,000 students, and under your new self-help program will serve 2,100,000. Administration officials argue that the additional funds proposed this year for work-study will offset these decreases, but according to your own budget, you will only be serving approximately 200,000 more students under the work-study program than were served under the current level.

I would like to know how you reconcile these reductions. I see you are talking about 1,200,000. So 1,200,000, you pick up 200, about 1 million.

How do you reconcile these reductions in the number of students eligible for grant-in-aid and other financial assistance?

Dr. ELMENDORF. Let me sort out the difference between awards and students. Awards are being counted there, rather than students. You find one student will receive awards from several different programs. Our estimate is that there will be, in terms of awards, about 1 million awards reduced; however, the impact of that over the number of unduplicated students in the worst-case scenario is 325,000 students. That is a reduction from about 4,700,000 in fiscal year 1983, to about 4,390,000, fiscal year 1984, or about 325,000 students.

Senator WEICKER. Let's move to Senator Proxmire. But first, let me say this: The difficulty I have had throughout is, being enormously proud as to what this country has done for those who are disadvantaged, I see them getting left off to the side of the road, as far as this administration's policies are concerned. For example, the statement that you make that a graduate student is far better able to handle their problems than an undergraduate. It depends on what the undergraduate course is. I am sure there are those who are taking some courses that, in effect, are easy courses for professional student types. And on the other hand, some poor person from an urban or a rural area of poverty, goes into medicine. I don't think they have any more time when they get to graduate school than they had as an undergraduate.

Senator Proxmire.

PARENTAL CONTRIBUTION

Senator PROXMIRE. Secretary Elmendorf, can you give us a brief synopsis of the contributions that parents have made in relationship to the total cost of higher education over the last, say, 15 years?

Dr. ELMENDORF. Yes, sir.

Senator PROXMIRE. How much did parents contribute before 1970; what was their contribution in 1978 and 1980, and what part of the costs have they paid over the last 2 years.

Dr. ELMENDORF. Mr. Bauer has a sheet here that has on it from 1978 to 1981 contributions, public, private, and all.

May I let him respond to that?

Senator PROXMIRE. All right. I also would like to know whether parents are making the same contribution as they did before, more or less.

Mr. BAUER. We can submit the figures going back to the years you are interested in, but I have with me figures for 1978 to 1981. In 1978, the weighted average award for students from parents, was $1,048. In 1981, that figure was $933. At least in the 4-year period——

Senator PROXMIRE. How much are parents projected to contribute in 1983?

Mr. BAUER. We do not project these types of figures.

Senator PROXMIRE. You are experts in this area. Can you tell me whether parents are contributing more or less than 10 years ago, correcting for the obvious difference in the value of money?

Mr. BAUER. We can supply that for the record.

[The information follows:]

PARENTAL CONTRIBUTIONS TO MEET EDUCATIONAL COSTS

There are no recent studies which estimate the level of parental contribution to the educational costs of their students 10 years ago. The closest estimates we have are those published by the cooperative institutional research program, which conducts the annual survey for the American freshman, national norms. Although the data collected does not show detailed information on student finances, they do show certain trends. In 1974, 80 percent of the freshmen relied on parental support to meet educational costs. In 1981 this percentage had dropped to 69 percent.

More detailed information is available on 1981. Of the freshmen who reported reliance on parental financial help to meet educational costs in 1981, more than half (40 percent of all freshmen) received $1,000 or more from parents and more than a third (24 percent of all freshmen) received over $2,000 in parental support.

ASSISTANCE TO LOW-INCOME STUDENTS

Senator PROXMIRE. Can you give us the percentage of the costs that parents contributed, say, in 1978 and in 1980?

Mr. BAUER. In 1978, the percentage of parents contributing to their children's postsecondary education cost was 80.8 percent and in 1981, the percentage of parents contributing was 72.3. This chart does not indicate what percentage of total costs they were meeting, only the percentage of parents who were making some sort of contribution.

Senator PROXMIRE. I think it is a good idea to do all you can to make sure that those receiving self-help grants make a minimum contribution, but wouldn't the proposed 40 percent standard make it extremely difficult for low- and moderate-income students with family incomes between, say, $6,000 and $25,000, to attend some high-tuition private institutions that are among the best in the country—for instance Ivy League schools that charge up to $13,000?

Mr. ELMENDORF. Let me try to address that question, and let me go back to the chairman's question, as well.

I think our proposals are very clear in terms of their ability to target the amount of moneys that we have to the lowest income student. In fact, the formula used to drive——

Senator PROXMIRE. I'm not talking about the lowest income student, I'm focusing on students with family incomes of up to $25,000. That is low income these days, but it is not the lowest.

Mr. ELMENDORF. We have done some studies on who would benefit from this proposal. Considering just income levels and the question about whether or not the student who goes to a high-cost institution and comes from a low-income family, would be less well off under our proposals than under the current system has been addressed and is simply not true.

Let me give you an example. That same cost institution, $13,000, that same family that comes from, let's say, anywhere from $10,000 to $20,000 family income level, right now, under our current proposals that family is restricted by how much money they can have access to for that high-cost institution. Under the maximum grant formula, that low-income student can get only $1,800 as a maximum grant to contribute to the cost of that high institution, $13,000.

Under our proposal, we would raise that to $3,000, so the student would be assured of being able to have at least a greater portion of that high-cost institutional cost being met by grant money than under the current proposal. We haye increased the work-study program funding to $850 million. With this increase, I think students will have greater access to those funds. We have also stabilized the guaranteed student loan program, which allows you to borrow up to $2,500.

Somehow, students are now making it through the system and paying for these costs, but we think you are right, Mr. Chairman, there are low-income students under the current system that never dream about the ability to go to a high-cost private institution. And our proposal allows them to at least reach for that, because it does allow for a greater chance to have higher grant funding available to them than the current system does.

Senator PROXMIRE. Doesn't your own data show that there has been a drop in the enrollment of students with family incomes between $6,000 and $24,000 at private institutions?

Mr. ELMENDORF. We don't keep that kind of information by the institutions, Senator Proxmire.

Senator PROXMIRE. You do not have that data at all?

Mr. ELMENDORF. We couldn't have it for specific programs like Pell, but as I said before, I just cited the Pell grant program.

Senator PROXMIRE. You do not have it in relationship——

Mr. ELMENDORF. To all programs.

DIRECT LOAN CANCELLATIONS

Senator PROXMIRE. You are proposing the repeal of current law which allows the cancellation of direct loan repayment obligations for students entering certain kinds of public service. Have you conducted a study of the effect the elimination of the loan cancellation program will have on these public service commitments?

Dr. ELMENDORF. I do not believe we have any national data regarding the efficacy of the loan cancellation program.

Senator PROXMIRE. Doesn't the loan cancellation provision not only help students, but also help public service programs?

Dr. ELMENDORF. Let me ask Mr. Moore if he could address that question.

Mr. MOORE. What we are talking about is primarily the cancellation of NDSL loans for teaching service, both with handicapped students and in schools with a heavy concentration of low-income kids. We have looked at this for the last 20-odd years. All of the research I have seen indicates that as far as putting a student into a particular career choice in teaching, loan cancellation has virtually no effect at all. There's never been any evidence that a student that had a commitment to teach was primarily influenced because of the existence of loan cancellation.

The other side of that is that the cancellation business represents a leak in the corpus of the loan fund. And since it now amounts to somewhere in the neighborhood of $4,700,000,000 out there, we would like to plug up as many leaks as possible and keep as much money coming back into the institutions.

Senator PROXMIRE. How much does the loan cancellation program cost?

Mr. MOORE. Right now it is costing us about $10 to $15 million a year in foregone payments that we have to replace.

Senator PROXMIRE. That sounds like a modest amount considering the fact that student financial assistance is a multibillion dollar program. You said the cancellation program costs $10 to $15 million a year? You said the loan fund was $4 billion.

Mr. MOORE. That is the entire loan fund. Now the return on that in a given year is in the neighborhood of $440 million plus.

Senator PROXMIRE. That is still a modest loss considering the total dollars involved. Are you confident that there is no benefit to these public service programs?

Mr. MOORE. I did not say no benefit. What I said was that we had never been able to find any evidence that linked a decision to teach in an area that qualified for cancellation with the existence of cancellation. This goes back to 1958, when it was put into law initially.

USE OF WORK-STUDY FUNDS

Senator PROXMIRE. On page 19, you say "The administration encourages the use of work-study funds to support tutoring for adult literacy and employment at eligible day-care centers."

What steps are you taking to stimulate that sort of fund use?

Dr. ELMENDORF. The provision under the current college work-study program, is the job location development center concept. Over 400 institutions have taken this concept of using about $25,000 of their work-study money to set up location development services at the institution to promote jobs in day-care centers, adult literacy, and business and industry. The center, once established, can place students, not only those eligible for college work-study, but those not eligible for work-study, to work while they are going through school.

Senator PROXMIRE. What percentage of work-study funds would be used this way?

Mr. MOORE. Off campus, 15 percent.

Senator PROXMIRE. What, overall? Do you have figures on that?

Dr. ELMENDORF. 15 percent of $540 million.

DIRECT FUNDING OF STUDENT EMPLOYMENT

Senator PROXMIRE. I have one other question before I yield back to the chairman.

As I understand it, 10 percent of each school's allocation of work-study funds up to a total of $25,000 is available to operate a job location and development center. Another 10 percent is available for community service learning programs, and a further 5 percent may be used for costs of administration. Now that means that a quarter of the work-study funds can be used for activities other than simply paying students for part-time work on campus.

If you are really interested in pushing the self-help concept by expanding the work-study program, why not provide that all of the funds, or at least 95 percent of the funds, be used to pay students for part-time work?

Dr. ELMENDORF. Part-time work off campus?

Senator PROXMIRE. Part-time work.

Dr. ELMENDORF. The institution in its best judgment has the ability to develop off-campus jobs. That is pretty much in their discretion right now, if they choose to do that.

Many are using the work-study program to help with on-campus work that needs to be done. However, there is a provision that prohibits institutions from displacing any current employee. An additional incentive and flexibility in the law currently allows institutions to do exactly what I think you are trying to address in your question.

Senator PROXMIRE. Why don't you insist on a higher percentage of money going directly to students, rather than allowing the school to spend so much on overhead?

Dr. ELMENDORF. The college work-study program or all programs?

Senator PROXMIRE. The work-study program.

Dr. ELMENDORF. The 5 percent administrative cost has been argued quite well and supported by Congress in the past as a means of setting up the tremendous amount of additional work and additional personnel——

Senator PROXMIRE. The 5 percent I have no quarrel with. I was referring to the other administrative allowances. You raise overhead costs 25 percent.

Mr. MOORE. If I might add, Senator, the limit is 10 percent or $25,000 out of the school's total allotment for the job location center. Now if I remember correctly, institutions took out about $3 or $4 million in total last year to run this job location feature which generated about 150 million dollars' worth of salaries. So it is not one-quarter of the entire funds allocated to the school, but rather a maximum of $25,000 to any institution. They also, by law, have to generate amounts equal to or greater than what they take out of the fund in payrolls for students.

The advantage of that program is that it can extend into the private sector as far as job location is concerned. The other program, the community service learning, has less participation, primarily because the law itself has a number of specifics in it, and the institution must find just the proper kinds of community agencies to work with.

The point I am coming to is that once the administrative cost is taken out, I would guess in excess of 90 percent of the total fund, that is the fund with the Federal and institutional money, going to payrolls for students.

Another point is——

Senator PROXMIRE. My time is up. Your own figures show that 88 percent of work-study funds go directly to students. Twelve percent is spent on overhead.

Mr. MOORE. Twelve total? I missed it by 2.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator WEICKER. Senator Rudman.

MAXIMUM GRANT ASSISTANCE

Senator RUDMAN. Thank you, Mr. Chairman.

Dr. Elmendorf, I have looked at your justification. I have looked at the numbers I have listened to this morning, and I think we would like to leave this hearing, with at least one thing we all understand. The chairman and Senator Proxmire have essentially said to you that it would appear from this new program, this philosophy that you described, that low-income students, as a matter of fact, middle-income students will have a more difficult time in attending high-cost private and high-cost public institutions, and you say no.

I am going to try to get into apples and apples, and if I can leave one hearing this week with at least people understanding arithmetic that we all agree on, I will be very delighted, because in 2 years here I have yet to get a direct answer to a direct question.

So let's go through it now, and let's go through it under your current proposal, and at least we can agree on the numbers. At the present time, am I correct that a student may get an $1,800 Pell grant?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. Am I also correct, that the student may get up to $2,000 in a so-called supplementary grant?

Dr. ELMENDORF. Yes.

Senator RUDMAN. That comes to $3,800?

Dr. ELMENDORF. Yes.

Senator RUDMAN. That would be total Federal contribution to that student's education, work-study aside, which exists the same now and then; am I correct?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. Under this current proposal, you are going to make the Pell grant more flexibile, and that will be up to a $3,000 grant; is that correct?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. There will be no supplemental grant; is that correct?

Dr. ELMENDORF. That's correct.

Senator RUDMAN. If I can add, the first one adds up to $1,800, $1,800 Pell, $2,000 SEOG, it comes to $3,800; is that correct?

Dr. ELMENDORF. That is correct.

Senator RUDMAN. And currently, $3,000 under a Pell grant; is that correct?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. The difference then is $800?

Dr. ELMENDORF. Yes, sir.

Senator RUDMAN. Would you explain to me, then, how your program makes it easier for the low income student. That's what I don't understand.

Dr. ELMENDORF. Let's take the $3,000. The $3,000 is in entitlement.

By that I mean any student who shows, by virtue of their financial needs analysis, that they are qualified for and should receive $3,000 will get that $3,000. The Government guarantees it, it is theirs, they cannot take it away.

The same provision I just stated for the $3,000 exists for the $1,800 right now. But it does not exist for the $2,000 SEOG award.

The $2,000 is not an entitlement; it is an allocation of funds that the institution competes for out of a total universe of funds with 4,100 other institutions in the country. They receive funds on the basis of their ability to compete as a State and their ability to compete as an institution within that State.

When those funds are allocated, they have a limited or finite sum of money that they can award, up to $2,000 per recipient.

However, if they made awards on the basis of $2,000 per recipient, they would serve only a small portion of the students who show need. The average award for students receiving SEOG funds is $620.

More important, when institutions run out of SEOG funds, whether they have awarded on the basis of the average award or the maximum award, there is no further entitlement of grant dollars for that student. The student is essentially dead in the water in terms of additional grant dollars.

In our proposal, they are never dead in the water as long as they are enrolled and as long as they qualify. And as long as they are eligible for $3,000, they will always receive that $3,000. That is the basic difference.

NUMBER OF STUDENTS RECEIVING MAXIMUM AWARD

Senator RUDMAN. My next question would be is what percentage of students who were seeking maximum grants did not receive them last year?

Mr. MOORE. Nobody knows.

Senator RUDMAN. That is an important question.

That theory is wonderful. But if it turns out that it was 91 percent, then it is not much of a problem. If it turns out it was 45 percent, then it is an enormous problem.

What I am saying to you is let's not talk about students as if they are abstract numbers. They are people.

Let's take a student who is going to Dartmouth in New Hampshire. Last year, Dartmouth was $13,000 for all costs. Let's assume that a student from a very-low-income family qualified for the $1,800, qualified for the $2,000, and got $3,800. This year that student is going to get $3,000. That student may not be able to attend Dartmouth. That's my point.

Mr. BAUER. I would like to make several points.

First of all, 18 percent of the private schools, which would be the high-cost schools you are concerned about, do not even participate in the supplemental grant program. So, all of the low-income students that would want to get the supplemental grant attending those 18 percent of the schools would not be able to receive anything at all.

Senator RUDMAN. Such as which?

Mr. BAUER. I do not have the names. The only figure I have is 18 percent of total private schools in the country do not participate in the programs.

I do not have their names listed.

Senator WEICKER. I would like to know. That's very interesting.

I don't want to pick some isolated private school somewhere that might have 50 students.

Senator RUDMAN. Every New England institution has some of the highest costs in the country. We like to think they offer some of the best education.

Senator WEICKER. Where are these schools?

You have your little fellow here running back and forth with the figures.

Mr. BAUER. The data I have is NCES data. They do not identify the individual schools. It is aggregate data. I am not sure that there is any source, other than going back to the raw data collected by NCES, to identify the institutions.

Senator WEICKER. I would like to have that submitted for the record.

[The information follows:]

PRIVATE INSTITUTIONS WHICH DO NOT PARTICIPATE IN THE SUPPLEMENTAL GRANT PROGRAM

Our records include the names of private institutions which participate in the Pell grant program but do not participate in the supplemental grant program. Although it is not a complete list of all private institutions which do not provide supplemental awards, it provids a significant sample of the private institutions which do not award supplemental grants.

FISCAL YEAR 1982—PRIVATE INSTITUTIONS ONLY

Alabama: St. Vincent's Hospital, Sylacauga Hospital.

Alaska: Sheldon Jackson College.

Arizona: American Indian Bible Institute.

California: California Hospital Medical Center, Martin Luther King, Jr., General Hospital, Pasadena College of Chiropractic, Pepperdine University, and University of San Diego.

Colorado: Baptist Bible College of Denver.

Connecticut: Bridgeport Hospital, Middlesex Memorial Hospital, St. Alphonsus College, and St. Mary's Hospital.

Florida: Clearwater Christian College, Florida College, and Lindsey Hopkins Technical Educational Center.

Georgia: Georgia Military College and Grady Memorial Hospital.

Iowa: Allen Memorial Hospital, Mercy Hospital, Mercy Hospital, School of Medical Technology, and St. Vincent Hospital.

Illinois: Augustana Hospital, Felician College, Graham Hospital Association, Lakeview Medical Center, Methodist Medical Center of Illinois, Midwest College of Engineering, and St. Joseph Hospital.

Indiana: Ancilla Domini College, Hanover College, Michiana College of Commerce, and Wabash College.

Kansas: Southeast Kansas Area Vocational-Technical School, Southwest Kansas Area Vocational-Technical School, and Wesley Medical Center.

Kentucky: Kentucky Baptist Hospital.

Louisiana: Charity Hospital of Louisiana and Touro Infirmary.

Massachusetts: Baystate Medical Center, Brockton Hospital, Burbank Hospital, Framingham Union Hospital, Lawrence Memorial Hospital, Lowell General Hospital, Massachusetts General Hospital, Montserrat School of Visual Art-N Shore Community, Mount Auburn Hospital, New England College of Optometry, New England School of Art and Design, North Bennet Street School, Shepherd-Gill School, and St. Vincent Hospital.

Maine: Eastern Maine Medical Center, Mercy Hospital, Mid-Maine Medical Center, and St. Mary's General Hospital.

Maryland: Johnston School of Practical Nursing, Peabody Conservatory of Music, St. Joseph Hospital, and Union Memorial Hospital.

Michigan: Bronson Methodist Hospital, Butterworth Hospital, Bronson Methodist Hospital School of Radiologic Technology, Detroit College of Business, General Motors Institute, Mercy School of Nursing of Detroit, and Ross Medical Education Center.

Minnesota: Mounds-Midway School of Nursing, Northwestern Hospital, School of the Associated Arts, and St. Cloud Hospital.

Missouri: Barnes Hospital, Cardinal Glennon College, Deaconess Hospital, Jewish Hospital, and School of the Ozarks.

Mississippi: Southeastern Baptist College.

North Dakota: St. Luke's Hospital and Trinity Hospital.

Nebraska: Archbishop Bergan Mercy Hospital, Bishop Clarkson Memorial Hospital, Immanuel Medical Center, Nebraska Methodist Hospital, and West Nebraska General Hospital.

New Hampshire: Concord Hospital.

New Jersey: Christ Hospital, Clara MAASS Memorial Hospital, School of Nursing, Don Bosco College, Englewood Hospital Association, Our Lady of Lourdes Hospital, Passaic Tri-Hospital-Passaic General Hospital, and St. Francis Hospital.

Nevada: Sierra Nevada College.

New York: Academy of Aeronautics, Arnot-Ogden Memorial Hospital, Beth Israel Medical Center, BNOS Jerusalem Seminary, Catholic Medical Center, Champlain Valley Physician's Hospital Medical Center, College for Human Services, Columbia Memorial Hospital School of Nursing, Crouse-Irving Memorial Hospital, Flushing Hospital and Medical Center, Helene Fuld, Jewish Hospital and Medical Center of Brooklyn, Memorial Hospital, Misericordia Hospital Medical Center, Misericordia Hospital, New York Chiropractic College, St. Elizabeth's Hospital, St. James Mercy Hospital, St. John's Riverside Hospital, St. Joseph's Hospital, St. Vincent's Hospital and Medical Center of New York, St. Vincent's Medical Center of Richmond, and Webb Institute of Naval Architecture.

Ohio: Bethesda Hospital, Cincinnati College of Mortuary Science, Community Hospital of Springfield-Clark County, Good Samaritan Hospital, Holzer Medical Center, Huron Road Hospital, Jewish Hospital, Kettering College of Medical Arts, Lutheran Medical Center, Mercy Hospital, Miami Valley Hospital, Providence Hospital School of Radiologic Technology, St. Alexis Hospital, St. Elizabeth Hospital Medical Center, St. Vincent Charity Hospital, and Trumbull Memorial Hospital.

Oklahoma: Hillcrest Medical Center and Midwest Christian College.

Pennsylvania: Abington Memorial Hospital, Albert Einstein Medical Center, Altoona Hospital, Alverina School of Practical Nursing, Citizens General Hospital, Community Medical Center, Curtis Institute of Music, Episcopal Hospital, Frankford Hospital, Germantown Hospital and Medical Center, Jameson Memorial Hospital, Johnson School of Technology, Lancaster General Hospital, Lankenau Hospital, Memorial Hospital of Roxborough, Mercy Hospital, Methodist Hospital, Ohio Valley General Hospital, Pittsburgh Institute of Aeronautics, Pittsburgh Institute of Mortuary Science, Pittston Hospital School of Nursing, Pottsville Hospital and Warne Clinic, Reading Hospital and Medical Center, Robert Packer Hospital, Sewickley Valley Hospital, Shadyside Hospital, Sharon General Hospital, St. Joseph's Hopsital, St. Vincent Hospital, Uniontown Hospital Association, University School of Nursing, Washington Hospital, and Western Pennsylvania Hospital.

Puerto Rico: Centro De Estudies Multidisciplinarios-Prac Nrsng Pgrm, Christian University College of the Americas, and Universidad Central Del Caribe Escuela De Medicine.

Rhode Island: Newport School of Hairdressing.

South Dakota: Rapid City Radiologic Technology Training Program, Rapid City Regional Hospital, Sacred Heart Hospital, and Sioux Valley Hospital.

Tennessee: Methodist Hospital and St. Mary's Medical Center.

Texas: American Technological University, Baylor University Medical Center, Brackenridge Hospital, Methodist Hospital, Methodist Hospital of Dallas, School of Respiratory Therapy, Texas Chiropractic College, and Texas Eastern School of Nursing.

Vermont: Sterling Institute (grassroots project).

Virginia: Memorial Hospital Medical Technology Program, Richmond Memorial Hospital, and Virginia Baptist Hospital.

Washington: Cascade College of Commerce and Lummi College of Fisheries.

West Virginia: Beckley College, Ohio Valley Medical Center, and St. Mary's Hospital.

Wisconsin: Madison General Hospital, Marquette University, Milwaukee County General Hospital, and Northwestern College, St. Joseph's Hospital, Wisconsin Lutheran College.

OPPORTUNITIES FOR THE POOR AT HIGH-COST COLLEGES

Mr. BAUER. If I could follow up, regarding the supplemental grants. We did a run on Tufts, as an example of what a low-income student could get at a higher-cost school if the university was giving out the maximum supplemental grant,—which you cited to come up with the $3,800 to $3,000 comparison. There would only be 250 students which Tufts could afford to pay the maximum. And they may or may not be eligible to receive the maximum Pell.

I think the arithmetic is inaccurate, where you are using an example of what some students may get.

And we are saying that overall the comparison is more favorable than the one that indicated a 38——

Senator RUDMAN. That is exactly what I am doing. And let me tell you my concern.

My concern is that very poor students in this country, from very poor families, ought not to have to make a choice to go to educational institutions that they can afford.

I think if they are good and they are qualified—they may come from poor families, but they should have as much opportunity to go to Dartmouth as my own children did. That's how I feel about it.

I also know, from my own experience, having just gone through it for 9 years, that even with a relatively high income, which I enjoyed before coming to this place, it was very difficult, with after-tax dollars, to send kids to Dartmouth and so forth.

And I think it is going to be enormously difficult for very poor youngsters to go to some of the high-quality and necessarily high-cost institutions.

Mr. Chairman, I will leave that subject. I think it is a concern.

I want to go to one other subject, Dr. Elmendorf, which you and I discussed last year.

Dr. ELMENDORF. Do I get the opportunity to agree with you on your statement?

I think that is exactly where we are coming from. And that is exactly what we are trying to do, to break the cycle of low-income students who don't have that opportunity. In fact, they're enrolling in the low-cost public community colleges.

We would like to break that cycle and give them a chance to enroll in some of those medium- and higher-cost institutions. And we think our program does that.

Mr. BAUER. That is why, under our proposal, 82 percent of the Pell self-help funds would go to families with adjusted gross incomes under $12,000, compared to 74 percent now.

REDUCING STUDENT MISREPORTING

Senator RUDMAN. Let me go on to this whole question of the Pell grant qualification.

I understand you've gone to one contractor on that on the preparation of the qualifications in the applications.

Dr. ELMENDORF. We have one major processing contractor, yes, sir.

Senator RUDMAN. I understand the problem was more the accuracy of the information that was going into the formula, rather than the formula itself.

Is that correct?

Dr. ELMENDORF. It was the misreporting by students in filling out their applications.

Senator RUDMAN. How would one central processor improve that?

Dr. ELMENDORF. The central processor does not really have anything to do with that.

What we're trying to advocate under our simplified form is to take a look at the study that had 22 elements that we asked students to respond to on the application form and reduce those 22 elements, which are fraught with potential misreporting and reduce that to 5 elements that we think are verifiable, using data sources like the 1040. We need to correct or make sure that the 1040 reported information and the application information are close enough and within tolerance to prevent there from being an overlapping situation.

That is essentially what we're trying to do. We are not now proposing a change in the delivery system or the contractor that processes.

STUDENT AID CONTRACTORS

Senator RUDMAN. Because of our prior discussions, as you know, last year on the GSL collection contract, I am constrained to ask as to whether or not any of the Department employees involved in the drawing up of the specifications for this particular agreement, which eventually went to one major contractor, left the Department of Education and subsequently went to work for that contractor?

Dr. ELMENDORF. We talked about Mr. Colluzi, I believe. We have been able to get back to you on that. That involved the guaranteed student loan program.

Senator RUDMAN. I'm talking about on this one.

Mr. MOORE. There are two former employees of the agency who have a subcontract for technical services with the current contractor.

Senator RUDMAN. Who is a sole-source contractor?

Mr. MOORE. It's not sole-source.

Senator RUDMAN. He is the only one doing the Pell grants, isn't he?

Mr. MOORE. It was not a sole-source contract. We put it out to bid.

Senator RUDMAN. But it is now. It is one person supplying all of the services.

Mr. MOORE. We have always had a single processor. These people left the agency in the fall of 1979. Therefore, they had very little to do, if anything, with the request for proposal that gave rise to the current contract.

Senator RUDMAN. Were they in the Department that writes requests for proposals?

Mr. MOORE. They were actively involved in working in the Pell program up to the summer of 1979.

Senator RUDMAN. They ran the Pell program, which—if I am correct, used to be handled by the schools themselves. They receive a small fee. They did this work themselves.

Mr. MOORE. No; the program has always operated essentially as it does today. There is a central eligibility determination performed by a contractor who received the contract by competing with other contractors.

The first contractor was the American college testing program in Iowa. They held the contract through two cycles. The third time it was won by Systems Development Corp. of Santa Monica.

The specifications for that contract were written after the employees that I referred to had left the organization.

Senator RUDMAN. I would like you to supply for the record their names, former titles, and so forth. I was never particularly pleased with what happened last year. I am not sure that any laws were broken.

Mr. Chairman, we had people actually involved in preparing the collection process specifications who eventually ended up working for the contractor who got the bid.

Not casting any aspersion on these gentlemen, they had nothing to do with that. But the fact is it was very suspicious.

[The information follows:]

FORMER DEPARTMENT OF EDUCATION EMPLOYEES

The following persons are former employees of the Department of Education who currently have subcontracts to provide technical services to the Pell grant program contract processor. Their former titles are also given.

Peter Voigt, Director, Division of Policy and Program Development.

Diane Sedicum, Chief, Pell Grant Branch, Division of Policy and Program Development.

Steve Jenks, Program Analyst, Immediate Office of the Director, Division of Policy and Program Development.

These employees resigned as of October 6, 1979. The request for proposals for the contract was issued on March 6, 1980 and the award date was September 30, 1980.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator RUDMAN. I have some questions for the record I would like to leave to be answered for the record.

Senator WEICKER. Questions will be submitted for response to the record.

LEGISLATIVE PROPOSALS

I would like to get back to a question asked several times during the course of the overall hearings.

The job of this committee is to devise appropriations based on law, on current law.

Again, the administration comes in before this committee and asks for appropriations based on proposals for law.

What if those proposals don't pass?

Dr. ELMENDORF. We would revert back to current law.

In this particular case, I cited in my introduction an example of what would happen if the law were to continue as it is now, with an increase in the cap on the grant. With all of the provisions remaining as they are now, the maximum award increases to $2,500. This would cause the program to escalate in size from about $2,400,000,000 and approach $4 billion.

We are looking at our proposal from the perspective of not only trying to balance the distribution of funds among loan, work, and grant, but also to take some of the problems that we know exist with the program in terms of its lack of sensitivity to the increased costs of colleges, lack of accuracy in the program that we know exists and have demonstrated quite clearly with contract studies and the inequities that exist in the program that allow a student living at home and going to a community college to essentially get 50 percent of their total cost paid for by grant dollars.

Senator WEICKER. This is all a matter for the authorizing committee.

Dr. ELMENDORF. Yes, sir.

And we are submitting legislation to the authorizing committee to do just this.

Senator WEICKER. Has it been submitted?

Mr. BAUER. It will in the next several days.

TARGETING FUNDS ON LOW-INCOME STUDENTS

Senator WEICKER. I can guarantee you there will not be any appropriation that goes out of the full committee or the floor that is going to be based on anything other than whatever the law happens to be at that time.

I don't see where all of this is going to end up. These matters should have been presented to the authorizing committee literally on the first day of the Congress.

As to all of these various programs, you have responded to Senators Proxmire and Rudman as to the effect on families of incomes under $12,000.

I notice, for example, you target 80 percent of your self-help programs with those of incomes under $12,000.

So, what happens to the families between, let's say, $12,000 and $25,000?

Dr. ELMENDORF. Some students will gain substantially under the proposal.

The historical black college, for example—there are 102 HBCU's. We have determined, because a majority of their students come from families with incomes under $10,000 and their costs are about $4,500 to $5,000, that they could gain substantially under our proposals.

Senator WEICKER. That was not my question.

Dr. ELMENDORF. I am working my way through—I hope—to a distribution of awards.

Students from the $15,000 to $20,000 income category attending a low-cost institution will be negatively affected by this proposal.

And I think I have indicated that that student who attends a low-cost community college and gets half of his grant paid for by self-help will no longer be able to do that without putting in a minimum of the $800 in terms of self-help.

However, the student from the same income level, $15,000 to $20,000, attending a medium- or high-cost institution, will benefit from this proposal.

Senator WEICKER. What is the problem with community colleges?

Dr. ELMENDORF. No problem.

I am saying that some students attend because they don't have a choice of a higher-cost institution available to them because of some other restrictions in the Pell program that allow the maximum award to be 50 percent or the $1,800, because in many cases, community colleges charge no tuition. They are subsidized almost totally by local taxpayers or by State taxpayers.

And many of the students attending community colleges are also, not contributing to their own educational costs but are being given Federal Pell grant dollars.

So, essentially, many of the students are attending college with no investment out of their own pocket. But we feel that those students who want to attend a higher-cost institution of $4,500, like Southern Connecticut State College, or to go to the University of Hartford, could benefit from this proposal by having that same student who now attends the community college to at least think about the possibility of being able to help bridge the cost at some of those higher-cost institutions by getting up to about $3,000 in grant funds, rather than being restricted to $1,800 as a maximum.

We think that is a very real choice, or some measure of choice, for some of these students.

For those families over $20,000 income attending high-cost institutions, they also will gain under our proposal.

Again, let me give you an example.

Under current law, let's say a family of $20,000 attending an institution costing $7,500, which is not an extremely high-cost institution, under current law gets a grant of $820.

In our proposal, that same student from a $20,000 family income, going to a school costing $7,500, which includes room, board, tuition, and fees, would get $1,440, or an increase of $620. So, that student would, in fact, benefit from this proposal.

I know it is a complex proposal. It is difficult to see.

DISTRIBUTION OF AWARDS

Senator WEICKER. I don't think it is that difficult. I think I am beginning to get a pretty clear picture as to what's going on here.

This is the distribution of self-help awards broken down by income level: from zero to 3,000, 26 percent; $3,000 to 6,000, 25 percent; $6,000 to $9,000, 17 percent; $9,000 to $12,000, 13 percent.

And that is the 80-plus percentage you referred to would get the money. So, it's $12,000 and below.

So, just percentagewise, there is not much out there once you get past the $12,000 mark.

Dr. ELMENDORF. Yes, sir.

And under the current law, it is about 74 percent, in that same category of zero to $12,000.

Senator WEICKER. That does not mean anything.

I think the committee gets as much in the way of entreaty from those in the $12,000 to $20,000 to bracket as we do from those below $12,000.

What I'm saying to you is there is a huge problem out there between $12,000 and $25,000, as much of a problem as below $12,000.

Mr. BAUER. Under our proposal——

Senator WEICKER. It isn't a question of improving that situation.

Mr. BAUER. It depends on the student.

Senator WEICKER. It's not doing anything to improve it.

Mr. BAUER. It depends on the student.

For those with incomes between $12,000 and $20,000, our proposal will still put them in a better position if they attend medium- and high-costs, than if——

Senator WEICKER. I think there is a problem with what you fellows are trying to do—you have large numbers out there. You can't do it.

And the dollar figures that have been imposed on you, I——

Mr. BAUER. Senator——

Senator WEICKER. I guess my gross income last year was somewhere around $150,000. I have eight kids, various tuition costs, this that and the other. I don't see how anybody $12,000 to $20,000, $25,000, I don't see what they do with their kids, I really don't. It's a problem.

We all sit here in these very narrow bounds. I think you could take $25,000, $30,000—there is enormous hardship, if, indeed, they can swing it at all—just to sit in a narrow group of $12,000.

I have further questions on these areas that I am going to submit for response to the record.

Senator Proxmire.

PRIVATE LOAN COLLECTION AGENCIES

Senator PROXMIRE. I would like to take a few moments to discuss some additional issues.

I would like, first, to call Secretary Elmendorf's attention to page 15 of his justifications. The third sentence reads: "Surveys in 1979–80 and 1981–82 showed a drop in enrollment of students with family incomes between $6,000 and $24,000 at private institutions."

That's what I was talking about earlier. That's your own data, cited in your own budget presentation. That is what I mean when I tried to make my point earlier about the potential difficulties created by the self-help program.

Now, let me get on an entirely different subject.

You are requesting indefinite authority to pay private debt collection agencies for their work in collecting defaulted direct student loans out of the total amounts they collect.

How much money do you expect to obligate for that purpose in the current year and in fiscal year 1984?

Dr. ELMENDORF. We have contracts for private contract debt collection on the percentage of the dollars collected, not a fixed-fee contract.

It would range from 25 percent to about 42 percent, averaging 33 percent divided between two major private-sector contractors.

Senator PROXMIRE. Do you have any idea what that would cost the Government?

Dr. ELMENDORF. I can get that information for the record.

[The information follows:]

NDSL OBLIGATIONS FOR COLLECTION AGENCY ACTIVITY

The commissions due private collection agencies in fiscal year 1983 as a result of their collection activities on defaulted national direct student loans (NDSL's) will continue to be paid out of funds appropriated under the guaranteed student loan (GSL) program to pay both GSL and NDSL commissions due private collection agencies. A total of $8 million has been requested for this activity. The appropriation language in our fiscal year 1984 budget proposal, if approved will allow the Secretary to pay for the NDSL commissions due the agencies out of the NDSL default recoveries collected by the agencies. We estimate that fiscal year 1984 NDSL commissions will total $5.8 million.

COMPETITIVE BIDS

Senator PROXMIRE. Are collection agencies employed on the basis of competitive bids?

Dr. ELMENDORF. Yes, sir.

Senator PROXMIRE. In a normal year, how much competition do we have in the private collection agency bidding process?

How many agencies bid and how many are selected?

Mr. MOORE. We had about 30 last year.

Dr. ELMENDORF. We had, I think, approximately 30. We selected two. We divided the work among three offices: Chicago, San Francisco, and Atlanta.

One contractor has Chicago and Altanta. One has San Francisco. All of the paper that is assigned to the private collector is filtered through our three collection regions.

The Federal Government attempts to collect defaulted accounts first. Then if we are not successful, we give them to the private collectors. We have $1,100,000,000 in loans that we would potentially refer to them over 3 years.

We expect to collect 10 percent or more of that, through the private collectors.

Senator PROXMIRE. What percentage of what is collected by private agencies would they keep?

Dr. ELMENDORF. The contractors retain between 25 and 42 percent, the average being around 33 percent.

Senator PROXMIRE. You collect 10 percent of your delinquent debt through private collection agencies and they keep between 28 and 42 percent of what they collect.

Dr. ELMENDORF. Yes; we expect them to collect on 10 percent of the larger universe, and they keep around 33 percent of what they collect.

TOTAL LOAN DEFAULTS

Senator PROXMIRE. How much defaulted debt is currently outstanding under the student loan program?

Dr. ELMENDORF. Together it is over $1,100,000,000 in the student loan programs which includes the Federal insured student loan program, and the national direct student loan program.

Senator PROXMIRE. How much of this debt was collected in 1982?

Dr. ELMENDORF. $55 million.

Senator PROXMIRE. What are your goals for 1983 and 1984?

Dr. ELMENDORF. Originally $80 million for 1983. However, we had to drop that back to $67 million as a result of manpower reductions. We did not get the number of people that we needed to collect that amount.

We expect to collect $67 million.

Senator PROXMIRE. It sounds like a pretty good investment if you have those people and they bring in a lot of money.

Dr. ELMENDORF. We made the case that we thought it was a good investment, too.

COLLECTOR PERFORMANCE

Senator PROXMIRE. How much do they bring in in relationship to their costs? Do you receive $5 or $10 for every $1 they cost, or what?

Dr. ELMENDORF. I don't have that specific information. However, our collectors return approximately $22,000 per month to the Government.

And our cost——

Senator PROXMIRE. Wouldn't it be a good idea to pin that down? It would be a very powerful argument, it seems to me, if you could point out that for every dollar you spend, you get back $2, or $3, or $4, or $5 or whatever the figure is.

Dr. ELMENDORF. We are making those arguments and evaluating the cost factors.

Senator PROXMIRE. You're not making the argument to me.

Dr. ELMENDORF. We are collecting the data for ourselves to make those arguments.

Senator PROXMIRE. You have never done that before? You have never figured out how much you get back for every dollar you spend?

Dr. ELMENDORF. We never had private contractors before. I believe the Department of Education is the first agency in Government to have contracted out for this sort of an effort.

Senator PROXMIRE. How about your own contractors?

Dr. ELMENDORF. These are our own contractors. These are private contractors.

Senator PROXMIRE. But when you tried to collect in the past you hired people who work for the Federal Government directly.

I'm not talking about contracts that are bid out.

Dr. ELMENDORF. Employees that we pay from our payroll.

Senator PROXMIRE. How much do they get back in relationship to what they cost?

Dr. Elmendorf. That is what I was referring to. $22,000.

Senator Proxmire. You hope you will have that information in the near future?

Dr. Elmendorf. Yes, sir.

GAO REPORT

Senator Proxmire. On July 8 of last year the GAO issued a report on the student loan insurance fund which found: (1) control account balances, representing 64 percent of the fund's assets, could not be reconciled with computerized subsidiary records; (2) procedures have not been developed for several accounts, resulting in material misstatements; (3) cash transactions were not recorded in the correct fiscal year; (4) canceled checks totaling $14 million were added to the fund's cash balance without determining whether they had been recorded when initially issued; (5) supervisory reviews and other verification procedures were frequently ineffective; and (6) the uncollectible portion of the insurance premiums receivable was not recorded.

What steps have you taken to correct what seems to be a pretty bad situation?

Dr. Elmendorf. First of all, we have responded to the GAO audit. We have provided them with a date for a plan. The Comptroller in the Department of Education is taking the lead responsibility in complying with those deficiencies.

Further, we have taken a long-term approach by developing the credit management task force within the Department to set up a total student financial aid system that would, essentially, go from eligibility and preeligibility to collection in terms of trying to keep track of students and of institutions.

Right now, that information is scattered among the States, with each State having a guaranteed student loan agency that keeps data which we don't have access to.

Our own data through the Pell grant program, is the only contract that we have that maintains the continuous flow of student accountability. The campuses themselves have all of the work-study, direct student loans, and SEOG accounts.

The data is spread all over. We're trying to get it together in the long term under a new system.

Senator Proxmire. When are you going to establish an allowance for loss rates based on actual experience?

Dr. Elmendorf. I would have to first consult with Mr. Olmo on that. I don't have the answer to that question. He is the Comptroller.

Senator Proxmire. Would you provide that for the record?

Dr. Elmendorf. Yes, sir.

Senator Proxmire. Also provide your timetable for correcting each problem highlighted by the GAO.

Dr. Elmendorf. Yes, sir.

[The information follows:]

ESTABLISHMENT OF AN ALLOWANCE FOR LOSS RATE

We are not prepared to establish an allowance rate for losses in the guaranteed student loan (GSL) program at the present time. We believe an appropriate allowance rate can only be established after our collection activities are functioning at maximum efficiency and we are convinced that we can state when an accont is truly uncollectable. Over the last several years we have improved our collection activity greatly such that we have reduced the default rate for the federally-insured portion of the GSL program from more than 15 percent to a current net default rate of 8.8 percent. However, not enough time has passed to benefit from the full effect of some of our more recent initiatives (such as referring accounts to collection agencies and sharing information on defaulters with national consumer credit bureaus), so we are not yet convinced that an 8.8 percent net default rate is the lowest rate that we are willing to accept.

IMPLEMENTATION OF GENERAL ACCOUNTING OFFICE RECOMMENDATIONS

As you may know, GAO reviews the student loan insurance fund of the guaranteed student loan program each year. Progress in addressing GAO's past and present concerns has been constant. We expect to complete those actions which we believe are necessary to correct the deficiencies by June 1983. As mentioned previously, we are also taking steps to develop a comprehensive credit management system which will serve to prevent such problems from occurring in all of the student aid programs.

COLLECTION EFFORTS

Senator PROXMIRE. Your loan default collections took a nosedive between 1981 and 1982, falling from $53 million to $37 million.

As a percentage of claims they dropped from 64 to 48 percent. Can you tell us why?

Dr. ELMENDORF. The dates were?

Senator PROXMIRE. Between 1981 and 1982.

Dr. ELMENDORF. The claims have been down but the collections have been up, and I'm finding it difficult to understand the distinction between the two.

Senator PROXMIRE. This material indicates that the loan default collections fell from $53 million to $37 million, so the collections were down. I refer to page 62 of your justifications under "Accomplishments."

The percentage of claims collected were down, too.

Dr. ELMENDORF. That is the FISL account, the Federal insured student loan account. That program has been essentially phased out. The State agencies have come in and now are essentially letting 95 to 97 percent of the paper that Federal insured student loan program volume has been depleted regularly, over time.

And we are, in fact, considering now a recommendation to eliminate——

Senator PROXMIRE. Does that explain why the percentage of collections is down?

Dr. ELMENDORF. I would say that the percentage of collections would be down in that fund on the basis of the decline in the amount of available funds to be collected.

Senator PROXMIRE. Funds to be collected were down far less than the actual collections were. The available funds to be collected dropped from $83 to $77 million. But the collections dropped from $53 to $37 million. So the percentage was way down.

Dr. ELMENDORF. What you are doing, Senator Proxmire, is now hitting the bottom of the barrel in terms of those accounts.

These are the ones that have been out for 15 to 18 years, and are the ones that are being submitted to the private contractors for collecting.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. I have a number of other questions along this line, Mr. Chairman. I will not persist. I would appreciate it if they could be answered for the record.

Senator WEICKER. They will be responded to for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PARENTAL CONTRIBUTION TO EDUCATIONAL COSTS

Your budget documents (p. 14) state that, "as Federal funding of student aid has grown, parental contributions have declined." Yet your budget tables also show a $160 million decrease in the amount of Federal funding for student aid between 1979 and 1983.

Question: Given the fact that overall levels for Federal student financial assistance have declined in the past few years and the fact that college costs are increasing an average of 11 percent annually (see attached), how realistic is it to assume that the majority of low and middle income families can increase their share of postsecondary education costs?

Answer: In 1979, the appropriation for the Student Financial Assistance account was $3,726,750,000 which is approximately $160 million more than in 1983. This comparison excludes a major element of our student assistance, however, which is displayed under the Guaranteed Student Loan program account. Both of these accounts include Federal funds in support of student aid. The total appropriation for these two accounts was $4,684,253,000 in 1979 and $6,052,431,000 in 1983. Therefore, the current level of student aid funding is $1,368,178,000 more than the 1979 level.

The Administration's fiscal year 1984 budget proposals attempt to restore the traditional role of the student and the student's family in meeting the costs of postsecondary education, and to increase their share of postsecondary costs--but only for those families financially able to assume such costs. Families with discretionary income, income remaining after accounting for basic living expense, will be required to contribute a higher percentage of that income to educational costs. This is achieved by increasing the assessment rates on discretionary income to a level similar to the rates used before the enactment of the Middle Income Student Assistance Act of 1978. The actual effect will require a family to contribute $350 more from each $5,000 of disposable income than would be required in 1983. This appears to be both a reasonable and realistic proposal. Families with no discretionary income would not be expected to contribute to educational costs and student awards would in almost all cases be higher than currently awarded.

Moreover, Federal funds generate funds for student aid, particularly in the Guaranteed Student Loan program. An appropriation of $2 billion in 1984 will generate over $7 billion in loan funds available to students.

Therefore, student aid funds have continued to increase since 1979 and those additional funds will be available to middle- and low-income families to meet increased college costs.

One of this Administration's goals in the area of postsecondary education financing is to get students and parents to bear an increased share of the cost of a postsecondary education.

Question: What proportion of such total education costs are students and their families actually paying at this time?

Answer: According to studies of first-time, full-time freshmen, parental contribution as a proportion of total educational costs declined from 74.5 percent in 1978 to 69.5 percent in 1981.

Additionally, the most recent study entitled "The American Freshman: National Norms for Fall 1982," Higher Education Research Institute, University of California, Los Angeles, cites that 58.7 percent of the freshmen students reported that they planned to use none of their savings from summer earnings to finance their first year in college, and 76.3 percent reported that they planned to use none of their income from a part-time job to finance their first year in college. These statistics are indicative of the decline in the role the family and the student play in financing higher education.

Question: What proportion of such total postsecondary costs do you consider appropriate for an undergraduate student and his family to pay?

Answer: The appropriate amount which the student and the family should contribute to educational costs is the amount which they are financially able to contribute. The Administration's budget proposals attempt to restore this traditional role of the family and the student in meeting the cost of postsecondary education, and to require a financial commitment by the student to his/her own education by providing Federal grant aid only after the student meets his/her self-help contribution.

Not all families are expected to contribute. Our student aid proposals provide for aid without any contribution by the family for those families with incomes of $10,000 or less. After accounting for basic living expenses of the family, the discretionary income which remains is "taxed." The family is expected to contribute, 18 percent of their first $5,000 of discretionary income, 20 percent of the next $5,000 and 25 percent of the remainder. Additionally, the student is expected to contribute a minimum of $800 or 40 percent of his/her total educational costs through earnings, loans, savings, etc. Substantial financial aid will be available to assist students meet this requirement.

AMOUNT OF AID AVAILABLE AND NUMBER OF AWARDS UNDER 1984 BUDGET PROPOSALS

Under existing law, students from disadvantaged and low-income families are eligible for several types of grants: up to $1,800 under the Pell Grant program, and up to $2,000 in Supplemental Educational Opportunity Grants. In addition, some students may also be eligible for State Student Incentive Grants.

In FY 1983 for all of these programs, we appropriated $2,834,440,000. Your budget and legislation, which will be submitted by the Administration, proposes eliminating these 3 grant programs and substituting a new "self-help" concept for which an appropriation of $2,713,800,000 is requested in the 1984 budget. This raises several issues:

Question: First, a disadvantaged student today under Pell and SEOG is theoretically eligible for a maximum grant of $3,800 (this does not include a potential State incentive grant). What is the maximum amount that a student will be eligible for under your self-help proposal?

Answer: As the question states, the $3,800 amount is only "theoretically" available. The eligible disadvantaged student today is only assured a maximum grant of $1,800 under the Pell Grant program. The Supplemental Grant funds are available at a restricted number of institutions and the funds available for awards at the institution are limited by State and institutional statutory and regulatory provisions. Therefore, students with need have to compete for the finite Supplemental Grant funds that may be available at that institution.

Our proposed Self-Help Grants will be distributed on the basis of need at a much larger universe of institutions. The maximum amount a student would be eligible for under the self-help proposal is $3,000. The table below shows the award levels of students with different financial circumstances attending different cost institutions.

Self-Help Grant
1984 Budget Request

		Educational Costs	
Family Income	$2,500 (Low)	$4,400 (Medium)	$7,500 (High)
		Award Amounts	
$10,000	$1,500	$2,300	$3,000
$12,000	1,175	1,975	2,675
$15,000	750	1,550	2,250
$20,000	0	740	1,440
$25,000	0	0	550

Question: How many students will receive Pell Grants under the FY 1983 appropriation? How many received SEOGs? How many students were served by SSIGs?

Answer: Originally, it was anticipated that 2.5 million students would receive a Pell Grant in academic year 1983-84. We now estimate that a more realistic figure for 1983 would be 2.3 million.

Under the SEOG program we estimate approximately 546,000 awards will be made in fiscal year 1983 and approximately 240,000 awards under the State Incentive Grant program.

Question: How many students do you estimate will be served under your new grant (not under Work-Study program)?

Answer: Under the proposed Pell Self-Help grant program, it is anticipated that approximately 2.1 million students will be served in academic year 1984-1985.

Therefore, according to my calculation, these 3 student aid programs under the FY 1983 appropriation will serve approximately 3.3 million students, and under your new self-help program will serve only 2.1 million. Administration officials argue that the additional funds proposed this year for Work-Study will offset these decreases, but according to your own budget, you will only be serving approximately 200,000 more students under the Work-Study program then were served under the current level.

Question: How do you reconcile these reductions in the numbers of students eligible for grant-in-aid and other financial assistance?

Answer: First of all, it should be pointed out that the number of awards do not represent the number of students aided since many students receive more than one award in their student aid package. It is not unusual for a student to have a Pell Grant, a Supplemental Grant, a Work-Study award and a loan. The following table displays the number of awards for both the current and proposed years. In addition, an estimate of the unduplicated count--or number of students aided--is shown using our reestimates of 1983 Pell awards.

Comparison of Student Awards

STUDENT AWARDS:	1983-1984	Proposed 1984-1985	Difference from previous year
Pell/Self-help	2,300,000	2,100,000	- 200,000
Work study	810,000	1,080,000	+ 270,000
Guaranteed loans	2,704,000	2,748,000	+ 44,000
Direct loans	883,000	688,000	- 195,000
Supplemental grants	545,000	---	- 545,000
State Incentive grants	240,000	---	- 240,000
TOTAL	7,482,000	6,616,000	- 866,000

	1983-1984	1984-1985	Difference from previous year
Number of Recipients*	4,593,002	4,390,179	-202,823

*Factor used for six programs was 1.629, for four programs 1.507. Factor derived from CIRP data (first-time full-time Freshmen).

The reduction in recipients results from the following factors.

(1) Many students from middle-income families able to contribute to educational costs will no longer qualify for awards at the lowest cost schools.

(2) Students from families at the upper-income margin of the program, who qualified for assistance under the 11/13/18 percent assessment rates on discretionary income, will lose eligibility with the increase to 18/20/25 percent rates.

(3) The pool of potentially eligible students will decline with the anticipated reduction in overall postsecondary enrollment.

Under the 1984 budget proposal Federally supported financial aid per unduplicated recipient will increase from $2,130 in the current academic year to $2,593 in academic year 1984-85--an increase of 21 percent.

STUDENT CONTRIBUTION

Your self-help proposal will require a minimum student contribution of $800 or 40 percent of the cost of his or her education.

Question: Since you also propose targeting these grants to the most economically disadvantaged students aren't you really limiting the student's choice to (1) incurring large amounts of debt in order to go to college or (2) having to work what may be a disproportionate amount of time in order to meet your requirement?

Answer: The Administration's budget proposals will assist low-income families by targeting a greater percentage (82 percent) of Federal grant money on those families. Additionally, the Administration's proposals attempt to eliminate the inequities present in the Pell Grant program by making awards more cost-sensitive and by requiring that students meet a percentage of their educational costs through self-help.

We do not feel that this will limit student's choice to incurring a large debt or working disproportionately to meet a self-help requirement. Summer earnings alone at minimum wage can produce $1,500 to $2,000. Weekend earnings during the school can add another $1,000 to $1,500. This is not an unreasonable amount of work to expect. To ensure sufficient job opportunities for students, the budget proposal includes $850 million in support of Work-Study awards--a substantial expansion of work opportunities. In addition, the self-help contribution can be met with a variety of resources available to students such as State assistance, institutional assistance, and private or corporate scholarships. The only resource not available for the self-help contribution is a federally supported grant.

If the student is unable or unwilling to work, loan programs are available to assist the student in meeting the self-help requirement. The Direct Loan program will provide an average award of $800 to approximately 688,000 students. Additionally, the Guaranteed Student Loan program can provide students with awards of up to $2,500 while deferring the repayment of these loans until the student leaves the institution. These loans will be available to more than 2.5 million students who demonstrate need. With all these resources, the 1984 budget proposal for student assistance should expand choice to the economically disadvantaged student.

Question: For students who may need remedial assistance in order to succeed in college, will you make exceptions to your self-help requirement?

Answer: The Administration's self-help requirement has been carefully designed so that students will not be overburdened in meeting it. The self-help requirement is an attempt to reestablish the traditional role of the student and family as the first source of financing higher education. It does require a commitment by the student to meet a percentage of total educational costs. This commitment, however, can be met through a variety of resources which do not have to interfere with course work. The self-help requirement can be met by loans, State assistance, institutional assistance, and any other source of non-Federal grant assistance. Therefore, we feel that all students can be properly assisted without having to make exceptions for particular situations.

Question: When can Congress expect to see this legislative proposal?

Answer: The Administration submitted copies of the legislative proposal entitled "The Student Assistance Improvement Amendments" to the Congress on March 17, 1983.

PELL GRANT ERROR RATE

Question: In general, what is the error rate by grant applicants and financial aid officers in the Pell Grant program?

Answer: Forty-two percent of all recipients had errors in the Pell Grant awards due to institutional errors and 37 percent had errors due to student misreporting. Student misreporting caused an estimated $318,000,000 of grants to be awarded incorrectly in 1980-81, while institutional error caused $363,000,000 in misawards.

Question: What part of your total Department of Education's administrative budget is used to verify Pell Grant applications?

Answer: Verification is conducted by the institutional financial aid officer. The only Federal administrative expense associated with validation is the small cost of processing a corrected application.

Question: How much in overpayments was made to students last year?

Answer: Overpayments in 1980-81 amounted to $272,000,000 from institutional errors and $270,000,000 from student errors.

Question: How much was there in underpayments?

Answer: In 1980-81, $91,000,000 was underawarded due to institutional errors and $48,000,000 underawarded due to student error.

NATIONAL DIRECT STUDENT LOANS

In 1984, you are proposing no appropriation for new loans under the NDSL but expect that loans will continue to be made out of repayments to postsecondary institution's revolving funds.

Question: How many fewer students would be able to receive NDSLs under your budget proposals for fiscal year 1984 compared with the number served in fiscal year 1983?

Answer: You are correct that although no appropriation is requested for new Federal capital contribution to the Direct Loan program, payments from prior loans will reimburse the institution's revolving loan fund and provide a resource for new loans for students. Our current estimate is that borrowers will reimburse approximately $550,400,000 in loan funds in 1984, which will provide 688,000 loans averaging $800. In 1983, approximately 883,000 loans averaging

$775 would be made. Therefore, the 1984 estimates 195,000 fewer loans than in 1983. This does not consider other loan sources such as the Guaranteed Student Loan program which will continue to be available.

NDSL DEFAULTS

Question: What is the current default rate in the NDSL program, and how does it compare with the rate of five years ago?

Answer: The current default rate in the Direct Loan program which includes defaults on loans at the institution and assigned for collection to the Department is 15.37 percent as of June 30, 1981. The earliest comparable figure is for June 30, 1977 when the default rate was 18.0 percent.

Question: What are the principal reasons for defaults under the NDSL program?

Answer: There are many reasons why defaults occur under the Direct Loan program. However, a principal reason is the failure on the part of institutions to follow due diligence requirements. For example, it is essential that an institution conduct exit interviews with each student before he or she leaves the institution to clarify the student's responsibilities. Also, an institution needs to establish and maintain required billing procedures, until all loans are paid. This involves sending (1) statement of account letters at 30 and 10 day intervals before due date and (2) demand letters within 15 days after due date. Institutions must maintain complete repayment records and oversee referment and cancellation requests. Finally, institutions should regularly turn over defaulted accounts which institutions have been unsuccessful in collecting to the Department of Education. Such activities would make a substantial inroad on Direct Loan defaults.

Question: What, if any, provisions is the Department considering in order to ease the burdens on those in default because of long-term unemployment?

Answer: There already exists several ways under the Direct Loan program which provide assistance to borrowers who are unable to make regular payments on loans as a result of prolonged unemployment. A student may apply to the institution directly for a hardship deferment. As a result, payments may be reduced or deferred. If the student is already in default, a financial statement is required. When it is determined that the borrower is unemployed, that loan can fall into a non-payment or reduced loan-status until the borrower finds employment and is able to resume the originally agreed upon installment payments.

AVAILABILITY AND TYPE OF WORK-STUDY JOBS

The College Work-Study program provides part-time work for undergraduates, graduates and professional students with the Federal Government paying up to 80 percent of wages. You are proposing a significant increase in funding for this program as part of your "self-help" requirement (+$310 million).

Question: How readily available will these jobs be and do you foresee any difficulties on the part of potential employers being unable to provide their 20 percent share in this program?

Answer: We do not see any problem regarding the availability of new jobs for Work-Study students. As a part of the application process, the Department requests that institutions indicate the funds they could use for Work-Study activities. In the past few years, the amount requested by institutions for Work-Study has consistently risen. In 1981-82, institutions indicated a need for $1.002 billion. In 1982-83, institutions indicated a need for $1.184 billion. Additionally, some 400 colleges are utilizing Job Location and Development Centers which are specifically organized to promote off-campus employment.

That current employers have met their 20 percent share is evidenced by the high utilization of the Work-Study funds. However, to avoid any under-utilization of Work-Study funds which might result from a 37 percent increase in the appropriation and the concurrent need to develop almost 300,000 new jobs, our proposal includes legislation to relieve employers of the 20 percent match. The proposed legislation would amend the Work-Study authority so that institutions participating in the program in fiscal year 1983 would not be required to increase their matching requirements but would only provide matching funds up to their 1983 level of funding.

Question: What particular part-time work is supplemented by the College Work-Study program on the campus?

Answer: Work-Study funds support a variety of jobs on-campus. Some of the on-campus part-time jobs available at colleges are laboratory assistants, graduate and research aides, administrative office and library aides and residence assistants for dorms. Some of the positions are career-related while others are more service oriented. But all of them provide needed earnings to students. However, as provided in the legislation, such work cannot result in the displacement of employed workers or impair existing contracts for services and the work must be governed by such conditions of employment as are appropriate and reasonable in regard to the type of work performed, the geographical region and the proficiency of the employee.

Question: What types of jobs does this program support off-campus?

Answer: Again the array of potential jobs for which a student may be employed are broad. These jobs may be in such fields as health care, education, welfare (such as Red Cross), social services, public saftey, crime prevention and control. Off-campus jobs are limited to work in the public interest for a Federal, State or local public agency or private nonprofit organizations. Here, too, the institution participating in the Work-Study program may separately or in combination with other participating institutions arrange for the operation of a Job Location Development project to search for appropriate off-campus jobs.

Question: To what extent does this program support jobs directly related to one's academic field?

Answer: There is no specific regulatory emphasis placed on employment of Work-Study students in relation to their academic field. However, student aid administrators are encouraged to place students in the type of job best suited to that particular student's desire and need.

Question: What safeguards are there to ensure that jobs under College Work-Study do not displace permanent, full-time staff?

Answer: The authorization for the Work-Study program specifically addresses this issue. The law states that the institution in arranging for Work-Study jobs will provide for jobs which "will not result in the displacement of employed workers or impair existing contracts for services." Institutions are legally liable to conform to this restriction.

STATE STUDENT INCENTIVE GRANTS

You are proposing to eliminate funding for the State Student Incentive Grant Program (SSIG) along with the Supplemental Educational Opportunity Grant Program, in your proposal to create one consolidated super grant program. SSIGs operate in all fifty States with States required to match each Federal dollar with one State dollar.

Question: Should SSIGs be terminated, how likely is it that some States would stop providing these grants altogether?

Answer: The State Incentive Grant program has stimulated all States to provide need-based grants to postsecondary students. State funds now available total over $1 billion. Most States considerably overmatch the yearly Federal contribution, suggesting considerable State level commitment regardless of Federal expenditures. We have no reason to believe that the loss of Federal funding would weaken this commitment.

Question: Wouldn't you be discouraging States from maintaining their own State incentive grant program by removing the Federal contribution, and isn't this counter to the Administration's philosophy to decentralize Federal educational assistance?

Answer: The State Incentive Grant program was initiated to stimulate all States to develop and maintain need-based State grant programs to postsecondary students. The Federal contribution was not perceived as a maintenance contribution, but a "start-up" stimulus. The goal has been realized. When the program began, 27 States had programs. Today, all States have such programs.

Eliminating Federal contributions to this program is in keeping with the Administration's Federalism initiative: (1) shifting program responsibilities to the State and (2) allowing State level budgetary and policy decisions to be made in an environment free of Federal financial incentives.

Question: How many States rely on Federal contributions for more than 30 percent of their SSIG funding?

Answer: In 1981-82, Federal funds constituted 30 to 50 percent of the total need-based State Student Grant funds in 20 States.

In 15 States, the Federal portion of the State grant funds ranged from 4 percent to 9 percent; in 13 States 10 to 20 percent and in 5 States 21 to 29 percent. In total, 42 of the States overmatched the Federal contribution.

CUMULATIVE GSL OUTSTANDING LOAN VOLUME

The "cumulative outstanding loan volume" is important in the Guaranteed Student Loan program because it represents the amount from prior years' borrowing on which the Federal Government will have to pay the special allowance and for which the government has a continuing liability with respect to defaults.

Question: What was the total cumulative outstanding loan volume for the GSL program at the end of fiscal year 1982?

Answer: The total cumulative outstanding loan volume for the Guaranteed Student Loan program as of the end of fiscal year 1982 was $22.7 billion.

Question: Do you expect the cumulative outstanding loan volume to grow significantly in the next few years and does your budget reflect this growth?

Answer: Yes, we do expect the cumulative outstanding loan volume to increase significantly in the next few years, although the rate of increase should be less than that which occurred as a result of the unprecedented rate of volume growth in fiscal years 1980 and 1981. Specifically, we estimate cumulative outstanding loan volume will equal $25.6 billion and $27.9 billion by the end of fiscal years 1983 and 1984, respectively.

Question: How do your projections on the cumulative outstanding loan volume compare with any recent CBO estimate?

Answer: CBO estimates that the fiscal year 1983 average cumulative outstanding loan volume will be $28.8 billion, compared with the Department's estimate of $25.6 billion outstanding as of the end of fiscal year 1983. The major reasons for the difference in the Department's and CBO's estimates are different assumptions regarding the rate at which borrowers leave school and enter repayment, and the length of time they remain in repayment.

BANKRUPTCY CLAIMS

Question: What proportion of the total FY 1984 budget request for the Guaranteed Student Loan program does the Department of Education estimate will be needed for bankruptcy claims?

Answer: We are requesting $24.1 million for the payment of bankruptcy claims in fiscal year 1984. This represents approximately 1 percent of our budget authority request of $2.047 billion.

Question: Have there been any significant changes in the patterns of these claims in recent years?

Answer: There has been no noticeable change in the pattern of bankruptcy claims in recent years. Now, as in the past, less than 1 percent of all loans entering repayment are paid off as bankruptcy claims. The possible increased likelihood of borrower bankruptcy as a result, for example, of greater debt burden or social acceptance of bankruptcy has been offset by the recent tightening up of bankruptcy laws pertaining to the discharge of student loans via bankruptcy proceedings.

PROPOSED RESCISSION

You are proposing to rescind $900 million from the Guaranteed Student Loan program for the current year, a program highly sensitive to fluctuating interest rates.

Yet recent estimates have been way off target. In fiscal year 1982, we had to provide an urgent supplemental to meet requirements. For FY 1983 interest rates were projected at 11 percent. Now you are projecting 8.3 percent and requesting this rescission.

Question: Are you confident at this point in the year that you will have enough money to meet your obligations under the program if there is a rescission?

Answer: Given our current loan volume estimates and projected Treasury bill rates for the remainder of this year, we are confident that we will have enough funds to meet program obligations even assuming our proposed $900 million rescission is approved.

Question: Since a significant amount of new borrowing occurs during the last quarter of the year, wouldn't it be prudent to wait until the end of the year, knowing that any surplus can be carried over into FY 1984 to offset needs for new budget authority?

Answer: Our cost estimates assume that approximately 50 percent of any fiscal year's total loan volume is disbursed during the final quarter of the year. We believe that our loan volume estimates as well as our economic assumptions for fiscal year 1983 are as reliable as can be expected given that the fiscal year is only one-half over. We are equally satisfied that our revised budget request for fiscal year 1983 is sufficient to cover program costs, and are therefore obligated, under the Antideficiency Act, to recommend the rescission of unneeded funds. Under this Act, we cannot merely assume that the surplus funds will be carried over into the next fiscal year to offset the budget authority required for that year.

EFFECT OF NEED ANALYSIS

It has been reported that the number of Guaranteed Student Loans fell 22 percent last year because of confusion over the new eligibility requirements calling for a needs analysis for families with incomes over $30,000.

Question: What has the Department done to clarify this issue?

Answer: I would first like to point out that the misrepresentation of the need test requirement and the resulting misperceptions were two of several factors that contributed to the decline in loan volume. Students actually losing eligibility because of the need test had some impact, as did increased borrowing in fiscal year 1981 by students seeking to avoid the need test requirement (which was introduced at the beginning of fiscal year 1982).

Second, we have worked with both the financial aid community and the media to clarify the need test requirement. Based upon improved media reporting of the requirement and the fact that the number of loans in the first quarter of fiscal year 1983 increased by 8 percent compared with the first quarter of the fiscal year 1982, we believe that the problem of public misperception has been greatly alleviated.

Question: Since you are now proposing to require that all families must demonstrate need, do you expect the number of actual loans to decrease even further?

Answer: We estimate that the number of loans made under the regular loan component will decrease by one-half percent as a result of across-the-board need analysis, compared with our volume projections under current law. However, this decrease will be offset by a volume increase as a result of regular program growth, and the number of loans made in fiscal year 1984 will be at the same level as in fiscal year 1983. Furthermore, we project increases in Auxiliary (PLUS) loan activity in fiscal year 1984, as a result of regular program growth and increased borrowing by students no longer eligible to borrow regular loans. The total number of GSL loans made during 1984 compared with fiscal year 1983 is expected to increase by 164,000 (a 6 percent increase).

Question: Last year you state that no more than a 10 percent reduction would be expected from the institution of an across-the-board needs test. Have you revised that projection?

Answer: While we have not conducted any additional, definitive analysis of the impact of across-the-board need analysis since last year, we do not believe it is necessary to revise our estimate of a 10 percent reduction. We anticipate limited effect as a result of our proposal to expand the current need analysis requirement for borrowers with adjusted gross incomes over $30,000, and, as stated above, believe that much of the volume reduction in fiscal year 1982 compared with fiscal year 1981 was caused by factors other than the need analysis requirement now in place.

SAVINGS/COSTS ASSOCIATED WITH THE NEED ANALYSIS PROPOSAL

Your budget proposes three legislative changes in the Guaranteed Student Loan program which, if enacted, you estimate would result in a $126 million savings in the program. One of these proposals would be to require that all applicants must undergo a needs analysis where currently only those with family incomes over $30,000 must show need.

Question: How much do you estimate would be saved by the enactment of this particular proposal?

Answer: We estimate that approximately $2 million will be saved in fiscal year 1984, assuming a July 1, 1983 implementation of the proposal.

Question: How much do you expect it to cost the Department of Education to administer this provision?

Answer: The additional cost to the Department associated with implementation of this proposal will be negligible. The schools, not the Department, will be the ones actually responsible for determining the degree of each borrower's need. Even the implementation of the proposal will not require much effort on the part of the Department since the requirement that those with adjusted gross incomes over $30,000 must undergo need analysis to determine eligibility is already in place. The Department's role will be limited to expanding the current regulations governing GSL need analysis and informing program participants of the expanded requirement.

Question: Is this small amount of potential savings really worth it in light of the administrative costs to the Department as well as the added burdens of paperwork placed on students, parents, postsecondary institutions and parents?

Answer: We are not proposing across-the-board need analysis merely in view of its budgetary savings which, compared with total GSL costs, are admittedly small. Rather, we are primarily concerned with improving equity in student treatment within the GSL program and the curtailment of unnecessary student indebtedness and Federal credit intrusion in the economy. Also, we do not believe the additional burdens you mention are excessive. We assume that most students affected by the proposal will have already undergone need analysis in conjunction with their applications for other financial aid. If they wish, institutions can use the simplified GSL "look-up" tables published in regulations to determine the need of any students who have not already undergone need analysis.

Question: Currently, we pay the banks 3 and one-half percent for an administrative allowance, are they going to require more as a result of this requirement?

Answer: We assume you are referring to the special allowance received by participating lenders, which assures lenders a total variable yield equal to the current 91-day Treasury bill rate plus 3 1/2 percent. We are not proposing any changes in this area. In fact, since the schools, not the lenders, are responsible for determining a student's need, the expansion of the need analysis requirement will not require additional effort on the part of lenders. It will not be necessary to compensate them further as a result of the proposal to expand the need analysis requirement.

AVERAGE UNDERGRADUATE GSL DEBT

Question: What is the average total Guaranteed Student Loan (GSL) debt that a typical undergraduate student now accrues before beginning repayment, and how does this total differ from that of 5 years ago?

Answer: We have no data which differentiates borrower indebtedness by level of study. We estimate that the average debt of an undergraduate student entering repayment in 1983 is about $4,000. We estimate that the average five years ago was approximately $3,500.

EFFECT OF SELF-HELP PROPOSAL ON LOAN VOLUME

Question: Under your proposal to require that students provide 40 percent of their college costs through work or loans, before being able to receive a grant, to what extent will borrowing in this program increase?

Answer: Under the Administration's fiscal year 1984 budget proposals, the self-help contribution of a minimum of 40 percent or $800 of the cost of education can be met through a variety of resources. These include employment earnings, loans, savings, State assistance, institutional aid, and any other type of aid except Federal grant assistance. Thus, since the self-help requirement is not limited to just work and loans, we do not expect there will be any significant increase in volume as a direct result of the requirement. What we do expect will happen is that there will be some shifting of the type of borrower as the self-help contribution is more equitably distributed among students from different income categories. Some students will require smaller loans (or no loans at all if they are able to meet their self-help expectation in some other manner) because they are eligible for larger Pell Self-Help Grants. Other students who have not previously contributed towards their educational costs, or who have not contributed the expected amount, will take out GSLs for the first time, or will increase the amount they borrow.

AVERAGE GRADUATE GSL DEBT

Question: What is the average total of GSL debt a typical graduate or professional student will borrow leaving school in 1983 and how does that differ from the same number five year ago?

Answer: We estimate that the average debt of a graduate student entering repayment in 1983 is in excess of $7,000. This average would have been somewhat lower five years ago.

DEFAULT RATES

Question: What is the most recent default percentage for the Guaranteed Student Loan program?

Answer: The cumulative "lender level" or default claims rate for the total Guaranteed Student Loan program as of September 30, 1982 was 11.5 percent. The cumulative "net" default rate, which takes into account the Department's and the guarantee agencies' collection efforts, was 5.1 percent as of the same date.

Question: How does this number compare with the rate of 5 years ago?

Answer: The cumulative default claims rate for the total Guaranteed Student Loan program as of September 30, 1977 was 10.3 percent. Beginning in fiscal year 1978, the default claims rate gradually increased each year as the program grew and more claim payments were made, until it peaked at 12.5 percent during fiscal year 1980. It is currently 11.5 percent. We do not have a "net" default rate for the total GSL program as of September 30, 1977 due to a lack of information concerning guarantee agency collection activities.

DEFAULT COLLECTIONS

Question: What initiatives is the Department of Education proposing in its FY 1984 budget in order to improve default collections under the GSL program?

Answer: The Department will increase its efforts to collect on outstanding defaults and to reduce the incidence of default in fiscal year 1984 in a variety of ways. One major new effort will be the Federal collection of guarantee agency defaulted accounts on which the agencies have not been able to collect. Also, additional defaulted accounts will be referred to the private collection agencies now under contract. We will soon begin to report information on defaulted accounts to national consumer credit bureaus to discourage potential defaulters from defaulting and to encourage those in default to repay their loans. We will continue to work with guarantee agencies to improve the monitoring of student status to determine when borrowers enter repayment. We will also continue to conduct computer tape matches in an attempt to locate defaulters. Litigation activities will be expanded and collection activities in general will be monitored more closely to assist in identifying needed improvements in collection activities.

In the near future, we will be submitting proposed legislation designed to strengthen further student loan collective efforts and to reduce defaults.

Question: What was the total amount of defaulted principal under the GSL program collection in FY 1983 by private collection efforts? By Federal loan collection efforts?

Answer: As of March 31, 1983 the original value plus the accrued interest of the collection agencies' current portfolio of defaulted accounts was $449.8 million. The comparative value of the Department's current portfolio as of the same date was $564.8 million. During fiscal year 1983 we expect the private agencies will collect $10.5 million and that $32 million will be collected by Department employees.

STUDENT AID COMMISSION

Question: In 1980, the National Commission on Student Financial Assistance was created to study a multitude of issues pertaining to student assistance and to submit its recommendations and findings to the Congress by July 1, 1983. Quite frankly, a number of concerns had been raised with this Committee over the establishment of another "Commission" with responsibilities which seem to be duplicative of efforts of various congressional committees and the Department of Education.

What is the total amount spent on this Commission to date?

Answer: For fiscal year 1981, Congress appropriated $250,000 for the activities of the Commission in the supplemental appropriations bill passed in June. This was to cover the operations of the Commission for the last quarter of the year. Of that amount, approximately $120,000 went to support a research contract and $61,000 to cover salaries and expenses; $69,000 was unexpended. The appropriation for fiscal year 1982 was $960,000, of which $425,619 went to external research-related contracts and $236,548 to salaries and expenses. For fiscal year 1983, the last year of the Commission's operation, Congress appropriated $840,000. To date, approximately $300,600 of that amount has gone to contracts and $217,000 to salaries. All activities of the Commission will terminate as of June 30, 1983.

Question: What, if any, useful and innovative recommendations have been made in the Commission's preliminary findings regarding ways to improve upon and/or change current student assistance programs?

Answer: As you correctly noted, the Commission was formed to study a series of complex issues related to the policies, programs and procedures which comprise our current constellation of student financial assistance. To date, the Commission's various subcommittees have held hearings on those reports which have been conducted by consultants to study the specific areas of: the in-school interest subsidy in the GSL program; the special allowance to lenders in the GSL program; and students' satisfactory academic progress. The Department has seen these reports. These reports, and their associated hearings, have stimulated interesting and thoughtful dialogue about the issues in these areas but no formal subcommittee recommendations have yet been made. The Department must wait for these subcommittee recommendations before it assesses their potential usefulness in improving the current student assistance programs.

Question: How do you plan to use the recommendations of the Commission and to what extent were its early recommendations considered in formulating the FY 1984 budget?

Answer: The Department does plan to review closely the Commission's final report and its recommendations following their publication in July. Those recommendations which the Department believes show promise for improving the effectiveness and integrity of the student financial assistance programs will be seriously considered in the Department's development of its legislative proposals and budget policy in the coming year. The Commission's recommendations will be available in time to include them in the deliberations on the reauthorization of the Higher Education Act.

As the Commission's recommendations have not yet been made available to the public, they were not considered in the development of the Department's FY 1984 budget for its student financial assistance programs. The calendar for formulation of the Department's FY 1984 budget, which is standard for all executive branch agencies, preceded the release of the Commission's recommendations by approximately one year.

Question: When can we expect to receive the Commission's final report?

Answer: Over the last two years, the Commission has focused its subcommittee research on eight major student assistance areas: GSL in-school interest subsidy; GSL special allowance; GSL insurance premium; satisfactory academic progress; graduate education; governance and administration sources of funding; and the appropriate balance of student aid.

To the best of our knowledge, the Commission expects to conclude subcommittee action on these areas of study by the end of April. The reports conducted in these areas, and the subcommittee recommendations, will then be forwarded to the full Commission for consideration by the first of June. The Commission's final meeting is scheduled for June 29, 1983 at which time it will vote approval of a final report which can be transmitted to Congress with recommendations and policy options by the mandated deadline of July 1, 1983. In anticipation of this final report, the relevant House and Senate authorizing committees have scheduled a joint hearing on June 30, 1983 to receive the Commission's views.

MIDDLE INCOME STUDENTS

Question: Another proposal of the Administration would allow families to establish tax free savings accounts to prepare for the costs of education. I assume that these accounts will be of principal benefit to middle- and upper-income families -- those who have sufficient disposable income today to benefit.

Between this program and the new "Self-Help" program which targets 80 percent of the assistance to families with incomes under $12,000, what is the Administration doing for the large number of families who may have incomes between $13,000 and $25,000?

Answer: The Education Savings Account (ESA) is directed toward this income group as well as families with incomes from $25,000 to $40,000. Once income reaches $40,000, ESA eligibility is gradually reduced to the $60,000 income level, at which point a family becomes ineligible to participate.

Students from families with incomes over $12,000 will still be eligible to receive assistance through the Pell Self-Help program, and will benefit from the expanded Work-Study program--depending upon their financial need. Loan assistance will continue to be available through the GSL and Direct Loan programs.

Question: Aren't we making it difficult, if not impossible, for students from these families to get to college?

Answer: Given the increased support available through the Work-Study program and the continued availability of loans and expansion of the Guaranteed Student Loan program, we believe the resources are available for these students to pay for their education.

Question: What is the likelihood that you would propose to expand the Educational Savings Account so that is would eventually become a replacement for categorical student assistant program?

Answer: We do not have any plans to make such an expansion. I would say the likelihood is nil.

The Educational Savings Account is one component of a broad strategy to assist Americans in paying for the expenses of a postsecondary education. Families which take advantage of Educational Savings Accounts will be able to reduce or eliminate the need to borrow for their children's education. We believe making payments into an Educational Savings Account which contributes to national capital formation and which gains interest is more attractive than paying for a loan and being charged interest at a later date.

EDUCATIONAL RESEARCH OVERSEAS/SPECIAL FOREIGN CURRENCY

Under the Educational Research Overseas/Special Foreign Currency program, which utilizes only excess foreign currencies and no U.S. dollars, projects in the areas of rehabilitation and international/foreign language education would be supported in your proposed budget.

Question: What are some examples of ways in which rehabilitation research in this account complements that being conducted in the U.S. by the National Institute of Handicapped Research?

Answer: Several projects in Egypt and Poland serve to illustrate ways in which rehabilitation research complements that being conducted in the U.S.:

-- Two studies, the development of vocational work evaluation systems and improved service delivery, underway at Wafa Wa Amal in Cairo, Egypt, complement research being conducted at Wichita State University. Exchanges of personnel, equipment and information are taking place between these projects.

-- A vocational work evaluation system developed in Egypt has provided a testing ground for the adaptation of a number of the vocational evaluation techniques originated at the School of Education, University of Wisconsin.

-- The Upper Extremity, Function and Performance Rehabilitation Engineering Center at Poznan, Poland, now funded by the Joint U.S.-Polish Commission for Science and Technology, continues close collaborations with several Rehabilitation Engineering Centers in the U.S. which are working in the area of functional electrical stimulation, prosthetics and orthotics, and vocational adaptation.

Question: What types of problems are being addressed in the foreign currency program which cannot be addressed in the U.S. by the National Institute of Handicapped Research?

Answer: It is not the type of problem addressed but the method of conducting research that is significantly different with an overseas setting. Almost half of the world's population live in the areas where the foreign currency program is operational. These locations provide a setting where it is easier to make comparative evaluations of services than in the United States.

Some of the problems include the development of simplified aides and devices at a low cost for use by handicapped persons and assistance in funding more effective means in providing service delivery to more people in such forms as mobile eye camps, cooperatives, and use of paramedical and family health care techniques.

NIHR is now undertaking an operations research program in India as part of the technical assistance requested by the Indian Government to develop and help implement a national plan for rehabilitation services. The results will be utilized in a comparative process with rehabilitation components in the U.S.

Question: In which countries will rehabilitation research grants under this program be awarded?

Answer: Only in India, Pakistan, Burma, and Guinea remain in the program. New research grants are limited to those countries.

You are requesting a $1.2 million increase for Educational Activities Overseas, under the foreign currency program.

Question: How important is it that Federal Government support foreign language training and research on world cultures?

Answer: We believe that research of other languages and cultures is important, but that, for the most part, this research should be conducted with non-Federal resources.

The exception is in countries in which excess foreign currencies are available. In these few countries--such as India and Pakistan--a great deal of important research can be conducted without the expenditure of U.S. dollars. We believe that this expenditure of excess currencies is a good use of these funds.

Question: You are proposing to eliminate the International Education program, under the Higher Education Act, Title VI. What are your reasons for supporting the International Education Activities under the Foreign Currency Program while at the same time proposing to completely eliminate funding for International Education and Language Training of Students in the United States?

Answer: As part of the President's program to reduce Federal spending, we have had to make difficult choices regarding our priorities in education. We are not requesting funds for activities under Title VI programs because we believe most of those activities will continue without Federal support. For example, the National Resource Centers, which conduct most of the basic research under these programs currently receives less than 10 percent of the total budget for these centers from the Federal Government. The Centers themselves provide an estimated $115 million to their operation. In addition, most of the institutions receiving assistance under this program have done so for many years and funded activities are now well established parts of their curricula. Funding responsibility should be assumed by these institutions. Also, it is likely that many of these educational activities can be sustained to a greater degree through contributions by private sector and philanthropic groups.

Under the Special Foreign Currency account, the program supported is funded solely from foreign currencies held by the Treasury Department which are determined in excess of other requirements of the Government. No U.S. dollars are ultimately expended because expenditure in foreign currency accounts are offset by reimbursements to the commodity credit corporation.

Projects under the Educational Activities Overseas program focus on the study of foreign languages, area studies, world affairs, and international understanding and include a variety of educational training activities, research projects and curriculum development.

American scholars participate in the overseas program to strengthen their foreign language competencies. The need to curtail Federal expenditures as part of the President's economic recovery program was not a consideration in this request, since expenditures of excess foreign currency do not affect total Federal outlays.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

GUARANTEED STUDENT LOANS INSURANCE PREMIUM

Senator Proxmire: You indicate on page 61 of your justification that guaranteed lenders under the student loan program pay an insurance premium of one-fourth of one percent to help cover the costs associated with defaulted loans. This fee is usually passed on to borrowers.

However the premium will only bring in $2.2 million in 1984. This doesn't even cover the $5.3 million you expect to pay private collection firms to recover bad debts. Why don't you increase the insurance premium?

Answer: The insurance premium of one-fourth of one percent charged on loans insured directly by the Federal Government was established by statute and was never intended to be large enough to offset Federal Insured Student Loan (FISL) default-related costs. Additionally, although we did propose to increase the FISL insurance premium last year to one percent, to make it comparable to the maximum amount guarantee agencies can charge on loans insured by them, we did not reintroduce that proposal this year. As FISL volume drops as a percent of total GSL volume compared with guarantee agency volume (to only 4 percent in fiscal year 1984) the potential savings associated with the proposal would not be very great.

COMMISSION PAYMENTS

Senator Proxmire: In 1984 you plan to reduce payments to private collection firms from $8 million to $5.3 million. You say that this reduction is attributable to the fact that "the commissions on private agency collections of National Direct Student Loans will no longer be paid out of GSL funds." How will these commissions be paid?

Answer: The appropriation language in our budget submission, if approved, will allow the Secretary to pay for the National Direct Student Loan (NDSL) commissions due the private collection agencies out of the NDSL default recoveries collected by the agencies.

LENDER INCENTIVE FEES

Senator Proxmire: In fiscal year 1984 the Federal Government plans to pay $64.5 million in administrative allowances to loan guarantee agencies. These allowances can be used to meet broad categories of agency costs and to pay lender incentive fees. What is a lender incentive fee?

Answer: A lender incentive fee is a payment made by a guarantee agency to a participating lender designed to promote lender participation within the GSL program. Currently we are aware of five agencies which authorize this fee. The guarantee agencies of Georgia, Maryland, and Pennsylvania pay a fee to lenders at the time loans are made. The Maryland guarantee agency also makes incentive fee payments at the time loans enter repayment. The guarantee agency in New Hampshire authorizes the payment of this fee for the purposes of promoting Auxiliary (PLUS) program participation only.

GUARANTEED STUDENT LOANS DEFAULT RATE

Senator Proxmire: Your justifications indicate that your "net" default rate was 9.1 percent as of September 30, 1981 but that the rates as of September 30, 1982, were not available when the justification material was prepared. Is this information available now and, if so, what was the 1982 default rate?

Answer: The "net" default rate decreased from 9.1 percent as of September 30, 1981 to 8.8 percent as of September 30, 1982.

Senator Proxmire: (If this rate is still not available) When will the September 30, 1982 default rate be available and why does it take the Department so long to come up with this information?

Answer: As indicated above, the default rate is now available. The reason for the delay in calculating the rate is that, at the time the Congressional Justification was prepared the information on account status needed to perform the calculation was not available.

WORK-STUDY -- PUBLIC SERVICE ACTIVITIES

Senator Proxmire: On page 19 of your justifications you state "the Administration encourages the use of Work-Study funds to support tutoring for adult literacy and employment at eligible day care centers." What steps are you taking to stimulate this sort of fund use?

Answer: We encourage, through institutional training projects, the use of Work-Study funds to support tutoring for adult literacy and employment at eligible day care centers. However, we have no statistical data as to how many institutions use Work-Study funds for implementing these types of public service activities.

Senator Proxmire: What percentage of Work-Study funds are used in this way?

Answer: We do not collect statistical data on the numbers of students enrolled in eligible institutions who receive Work-Study funds for public service activities such as tutoring and day care center employment.

GUARANTEE AGENCY COLLECTION EXPENSES

Senator Proxmire: You are requesting $224.7 million in fiscal year 1984 to pay the losses on reinsured guaranteed student loans. As your budget justifications indicate, when payment has been made on defaulted accounts, guarantee agencies collect on those accounts and forward about 65 percent of the money collected to the Secretary. Up to 30 percent of collections may be retained to meet administrative expenses. Do you audit the administrative expenses of these guarantee agencies to see if they are reasonable and necessary?

Answer: Yes, we do. In fact, as costs in this area are becoming a more significant portion of our required funding level, we are examining these expenses even more closely. I might add that the auditing is by no means limited to the area of administrative expenses, but extends to all items pertaining to the agencies' sources and uses of funds.

Senator Proxmire: Why is the percentage of collections retained by the guarantee agencies so large?

Answer: This is the allowable level authorized by Section 428(c)(6)(A) of the Higher Education Act of 1965. A retention allowance of up to 30 percent is not at all unreasonable given that actual costs to collect defaulted student loans are often slightly higher than 30 percent of dollars collected.

FEDERAL COLLECTION OF GUARANTEE AGENCY ACCOUNTS

Senator Proxmire: Have you ever conducted a study of the cost effectiveness of collecting this debt yourself rather than having to pay 30 percent off the top to guarantee agencies to collect the debt for you?

Answer: There has been no specific cost-effectiveness study undertaken pertaining to this issue. However, we do know from our experiences with private collection agencies hired for the purpose of collecting on defaulted Federal Insured Student Loan accounts, that the typical commission rate has averaged slightly higher than the 30 percent level allowed the guarantee agencies.

GUARANTEE AGENCY INSURANCE PREMIUM CHARGES

Senator Proxmire: When the Department of Education insures loans they charge lenders one-fourth of one percent per year on outstanding loan principal as an insurance premium. Do guarantee agencies also charge such a premium?

Answer: First we would like to clarify that the one-fourth of one percent to which you refer is charged upon the original loan amount disbursed, which is not necessarily the "outstanding loan principal." Secondly, yes, almost all guarantee agencies charge a one percent premium based on the length of the in-school/grace period of the loan. However, there are a few agencies which charge premiums of three-fourths of one percent, one-half of one percent, or none at all.

Senator Proxmire: (If not) Why not? Why should the government have to pick up all the reinsurance costs?

Answer: As stated above, almost all guarantee agencies do charge an insurance premium.

EDUCATION AND RESEARCH OVERSEAS

Senator Proxmire: Page 154 of the justification indicates that--in some cases--excess foreign currencies enable research to be conducted in areas and on problems which cannot be addressed directly in the United States. Can you touch on some of these problems?

Answer: It is not the type of problem addressed but the method of conducting research that is significantly different with an overseas setting. Almost half of the world's population live in the areas where the foreign currency program is operational. These locations provide a setting where it is easier to make comparative evaluations of services than in the United States.

Some of the problems include the development of simplified aides and devices at a low cost for use by handicapped persons and assistance in funding more effective means in providing service delivery to more people in such forms as mobile eye camps, cooperatives, and use of paramedical and family health care techniques.

NIHR is now undertaking an operations research program in India as part of the technical assistance requested by the Indian Government to develop and help implement a national plan for rehabilitation services. The results will be utilized in a comparative process with rehabilitation components in the U.S.

Senator Proxmire: How are grant recipients chosen?

Answer: The participating foreign government, much like in this country, announce their research priorities each year. Applicants are reviewed and those the foreign government feels are appropriate for P.L. 83-480 funding are sent to the U.S. Embassy. These applications are in turn sent to the appropriate U.S. Government agency. In the case of applications received by NIHR, research priorities for NIHR and the applicant country are reviewed to ensure mutual benefits from the project. NIHR conducts a peer review for those applicants which the Institute is interested in supporting. Those applicants which receive favorable review are granted awards.

HIGHER EDUCATION FACILITIES LOANS (DEFAULTS/DELINQUENCIES)

Senator Proxmire: This is an 18 year old program. Don't you think it's been around long enough for the Department to have developed more successful collection practices? Maybe you should turn over the defaults and delinquencies to a debt collection agency.

Answer: During the mid-1970's, the Office of Education (DHEW) was directed by a number of sources to assume a liberal posture in dealing with the institutions of higher education which were facing financial crisis. This position was clearly articulated by the President's Task Force on Higher Education, the Senate Appropriations Committee, and the General Accounting Office.

In 1980, this approach to debt collection began to be questioned, and the Department was urged to begin to actively seek repayment of debts owed to the government. During 1982, the Department developed an aggressive and productive collection plan. We believe that the success of this effort is evidenced by the Department exceeding its collection target in this program.

The Department is, however, considering the possibility of contracting out the collection effort for both the College Housing and Academic Facilities programs. The Department of Housing and Urban Development, as part of their effort to improve debt collection, is currently contracting out the collections effort under the Multi-Family Housing program. The Department of Education will review this effort to determine if contracting out the collections effort is feasible under these two loan programs. Note that collection of debt from a college is a greatly different matter than collections from an individual. As a result, an entirely different approach must be used.

Senator Proxmire: For the record, let us have a list of the institutions either in default or in a delinquent status--the amount owed and the loan origination date.

Answer: A copy of the list of institutions in delinquency status is attached.

Senator Proxmire: You state on p. 132 of the justifications that a credit management improvement plan, including dollar targets and initiatives for the collection of defaulted loans and delinquent loan payments, was developed and implemented during 1982. What are you doing now to recover these defaulted funds that you were not doing in the past?

Answer: Previously, long-term moratoria and deferments were issued to institutions of higher education which were experiencing difficulty in meeting their loan obligations. With the increased emphasis on debt collection within the Federal Government, the Department will no longer issue long-term moratoria and will carefully examine the financial conditions which make the institutions unable to meet its obligation.

As part of this review, employees servicing loans will be instructed to analyze each institution's ability to pay. All existing reserve accounts will be collected and applied to the default. In addition, institutions will be notified when a financial review indicates equal treatment is not given to the Federal Government in relation to other creditors.

It should be noted that it is more difficult to collect from institutions under this program than under the College Housing Loan program. The Department requires that the revenues from the projects supported under College Housing be pledged against the debt. In the case of this program, which is used to construct academic facilities, there are no direct revenues which can be pledged against the debt.

Senator Proxmire: What is your total loan portfolio and how much of these funds are either in default or in a delinquent status? Give me the percentage.

Answer: There is an outstanding loan portfolio of 578 loans totalling $390,867,600. Currently, we have 50 issues totalling approximately $40,000,000 in a default status. This is 10.3 percent of the total outstanding. The total payments currently delinquent are $9,009,428.

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
ALA-01-5-4-00364-0	Miles Memorial College Library Building Bond of 1977		
	due 9-1-81	28,000.00	16,095.00
	3-1-81	-0-	16,095.00
	9-1-82	29,000.00	16,095.00
	3-1-83	-0-	16,095.00
ALA-01-5-4-00648-0	Daniel Payne College, Inc. Academic Building Bd of 1974		
	due 11-1-82	10,000.00	-0-
ARI-02-5-9-00614-0	Navajo Community College Academic Building Bd of 1972		
	due 11-1-82	9,000.00	-0-
CAL-04-5-9-00152-0	United States International Univ Academic Bldg Bd of 1968		
	due 1-1-75	20,000.00	-0-
	1-1-76	20,000.00	-0-
	1-1-77	30,000.00	-0-
	1-1-78	30,000.00	-0-
	1-1-79	30,000.00	-0-
	1-1-80	30,000.00	-0-
	1-1-83	40,000.00	16,380.00
COL-05-5-8-00069-0	Temple Buell College Academic Bldg Bd of 1967 due 10-1-77	13,000.00	-0-
	10-1-78	14,000.00	-0-
	10-1-79	14,000.00	-0-
	10-1-80	15,000.00	-0-
	4-1-81	-0-	1,310.29
	10-1-81	15,000.00	10,095.00
	4-1-82	-0-	10,095.00
	10-1-82	16,000.00	10,095.00
CON-06-5-1-00029-0	Albertus Magnus College Academic Bldg Bd of 1965		
	due 5-1-76 (DEF)	6,200.00	-0-
	5-1-77 (DEF)	34,000.00	-0-

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
FLA-08-5-4-00110-0	Florida Memorial College Academic Bldg Bd Ser 1968		
	due 10-1-74	25,000.00	-0-
	10-1-75	26,000.00	-0-
	10-1-76	27,000.00	-0-
	10-1-77	28,000.00	9,010.00
FLA-08-5-4-00110-0 (Con't)	Florida Memorial College Academic Bldg. Bd. Ser. 1968		
	due 4-1-78	-0-	22,890.00
	10-1-78	29,000.00	22,890.00
	4-1-79	-0-	22,890.00
	10-1-79	29,000.00	22,890.00
	4-1-80	-0-	22,890.00
	10-1-80	30,000.00	22,890.00
	4-1-81	-0-	22,890.00
	10-1-81	31,000.00	22,890.00
	4-1-82	-0-	22,890.00
	10-1-82	32,000.00	22,890.00
HAW-51-5-9-00327-0	Hawaii Loa College Library & Classroom Building Bd. of 1970		
	due 11-1-75	57,000.00	-0-
	11-1-76	58,000.00	-0-
	11-1-77	60,000.00	750.00
	5-1-78	-0-	32,850.00
	11-1-78	62,000.00	32,850.00
	5-1-79	-0-	32,850.00
	11-1-79	64,000.00	32,850.00
	5-1-80	-0-	32,850.00
	11-1-80	66,000.00	32,850.00
	5-1-81	-0-	32,850.00
	11-1-81	68,000.00	32,850.00
	5-1-82	-0-	32,850.00
	11-1-82	70,000.00	32,850.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
ILL-11-5-5-00015-0	Lewis College Building Bond of 1969 due 11-1-81	29,000.00	19,395.00
	5-1-82	-0-	19,395.00
	11-1-82	30,000.00	19,395.00
ILL-11-5-5-00041-0	Nat'l College of Education Academic Bldg. Bd. Ser. A due 11-1-79	25,000.00	-0-
	11-1-80	26,000.00	-0-
	5-1-81	-0-	17,225.00
	11-1-81	27,000.00	21,075.00
	5-1-82	-0-	21,075.00
	11-1-82	28,000.00	21,075.00
ILL-11-5-5-00042-0	Nat'l College of Education Academic Bldg. Bd. Ser. B due 11-1-79	9,000.00	-0-
	11-1-80	9,000.00	2,168.00
	5-1-81	-0-	6.525.00
	11-1-81	10,000.00	6,525.00
	5-1-82	-0-	6,525.00
	[illegible]		
ILL-11-6-5-00070-0	Trinity Christian College Assn. Classroom & Library Bldg. Bd. of 1968 due 5-1-78	-0-	3,436.00
	11-1-78	8,000.00	3,720.00
	5-1-79	-0-	3,720.00
	11-1-79	8,000.00	3,720.00
	5-1-80	-0-	3,720.00
	11-1-80	8,000.00	3,720.00
	5-1-81	-0-	3,600.00
	11-1-81	8,000.00	3,600.00
	5-1-82	-0-	3,480.00
	11-1-82	9,000.00	3,480.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
ILL-11-5-5-00075-0	Monmouth College Academic Bldg. Bds of 1969 due 11-1-76	28,000.00	-0-
	11-1-77	28,000.00	-0-
	11-1-78	29,000.00	-0-
	11-1-79	30,000.00	-0-
	11-1-80	31,000.00	-0-
	5-1-81	-0-	2,050.00
	11-1-81	32,000.00	14,205.00
	5-1-82	-0-	14,205.00
	11-1-82	33,000.00	14,205.00
IND-12-5-5-00136-0	St. Mary of the Woods College Science Bldg. Bd of 1968		
	due 4-1-74	26,000.00	-0-
	10-1-74	-0-	2,015.00
	4-1-75	27,000.00	15,015.00
	10-1-75	-0-	15,015.00
	4-1-76	28,000.00	15,015.00
	10-1-76	-0-	15,015.00
	4-1-77	28,000.00	15,015.00
	10-1-77	-0-	15,015.00
	4-1-78	29,000.00	15,015.00
	10-1-78	-0-	15,015.00
	4-1-79	30,000.00	15,015.00
	10-1-79	-0-	15,015.00
	4-1-80	31,000.00	15,015.00
	10-1-80	-0-	15,015.00
	4-1-81	32,000.00	15,015.00
	10-1-81	-0-	15,015:00
	4-1-82	33,000.00	15,015.00
	10-1-82	-0-	15,015.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
IOW-13-5-6-00039-0	Upper Iowa University Library Bldg. Bd. of 1965		
	due 11-1-72	8,000.00	-0-
	11-1-73	9,000.00	-0-
	11-1-74	9,000.00	-0-
	11-1-75	9,000.00	-0-
	11-1-76	10,000.00	-0-
	11-1-77	10,000.00	-0-
	11-1-78	10,000.00	-0-
	11-1-79	11,000.00	-0-
	11-1-80	11,000.00	-0-
	11-1-81	11,000.00	-0-
	11-1-82	12,000.00	-0-
IOW-13-5-6-00047-0	Iowa Wesleyan College Library Building Bd. of 1967		
	due 4-1-82	-0-	4,800.00
	10-1-82	17,000.00	4,800.00
KAN-14-5-6-00092-0	St. Benedicts College Library Bldg. Bond of 1966		
	due 11-1-74	12,000.00	-0-
	11-1-75	12,000.00	-0-
	11-1-76	12,000.00	-0-
	11-1-77	13,000.00	5,125.00
	5-1-78	-0-	5,625.00
	11-1-78	13,000.00	5,625.00
KAN-14-5-6-00097-0	Kansas Wesleyan University Science Bldg. Bd of 1967		
	due 10-1-74	7,000.00	-0-
	10-1-75	11,000.00	-0-
	10-1-76	11,000.00	-0-
	10-1-77	11,000.00	-0-
	10-1-78	12,000.00	-0-
	10-1-80	13,000.00	-0-
	4-1-81	-0-	8,820.00
	10-1-81	13,000.00	8,820.00
	4-1-82	-0-	8,820.00
	10-1-82	13,000.00	8,820.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
Y-15-6-3-0021-0	Brescia College Inc. Science Bldg. Bd. of 1968		
	due 10-1-76	10,000.00	-0-
	10-1-77	11,000.00	-0-
	10-1-78	11,000.00	-0-
	10-1-79	11,000.00	-0-
	10-1-80	12,000.00	-0-
	10-1-81	12,000.00	-0-
	10-1-82	12,000.00	-0-
KY-15-5-3-00024-0	Villa Madonna College Academic Bldg. Bd. of 1966		
	due 11-1-74	18,000.00	-0-
	5-1-75	-0-	14,130.00
	11-1-75	19,000.00	14,565.00
	5-1-76	-0-	14,565.00
	11-1-76	20,000.00	14,565.00
	5-1-77	-0-	14,565.00
	11-1-77	20,000.00	14,565.00
	5-1-78	-0-	14,565.00
	11-1-78	21,000.00	14,565.00
	5-1-79	-0-	14,565.00
	11-1-79	21,000.00	14,565.00
	5-1-80	-0-	14,565.00
	11-1-80	22,000.00	14,565.00
	5-1-81	-0-	14,565.00
	11-1-81	23,000.00	-0-
	5-1-82	-0-	14,565.00
	11-1-82	23,000.00	14.565.00
ME-17-6-1-00045-0	Husson College Academic Bldg. Bd. of 1969, Series A		
	due 11-1-80	14,000.00	-0-
	11-1-81	14,000.00	-0-
	11-1-82	15,000.00	7,537.50

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
ME-17-5-1-00046-0	Husson College Academic Bldg. Bd. of 1969, Series B		
	due 11-1-80	5,000.00	-0-
	11-1-81	5,000.00	-0-
	11-1-82	5,000.00	1,965.00
ME-17-5-1-00058-0	Husson College Academic Bldg. Bd. of 1966		
	due 11-1-72	33,000.00	-0-
	11-1-73	34,000.00	-0-
	11-1-74	35,000.00	-0-
	11-1-75	36,000.00	-0-
	11-1-76	37,000.00	3,140.00
	5-1-77	-0-	30,165.00
	11-1-77	39,000.00	30,165.00
	5-1-78	-0-	30,165.00
	11-1-78	40,000.00	30,165.00
	5-1-79	-0-	30,165.00
	11-1-79	41,000.00	30,165.00
	5-1-80	-0-	30,165.00
	11-1-80	42,000.00	30,165.00
	5-1-81	-0-	30,165.00
	11-1-81	43,000.00	30,165.00
	5-1-82	-0-	30,165.00
	11-1-82	45,000.00	30,165.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
MIC-20-5-5-00199-0	Nazareth College Library Bldg. Bd. of 1968		
	due 10-1-75	9,000.00	-0-
	10-1-76	9,000.00	-0-
	10-1-77	10,000.00	-0-
	10-1-78	10,000.00	-0-
	4-1-79	-0-	5,000.00
	10-1-79	10,000.00	7,500.00
	4-1-80	-0-	7,500.00
	10-1-80	11,000.00	7,500.00
	4-1-81	-0-	7,500.00
	10-1-81	11,000.00	7,500.00
	4-1-82	-0-	7,500.00
	10-1-82	11,000.00	7,500.00
MIS-22-5-4-00631-0	Mississippi Industrial College, Multi-Learning Center		
	Bond Series 1981 due 5-1-82	-0-	5,393.50
	11-1-82	-0-	6,030.00
MO-23-5-6-00186-0	Tarkio College Library Learning Center Bldg. Bd. of 1966		
	due 2-1-74	1,000.00	-0-
	2-1-75	7,000.00	-0-
	2-1-76	7,000.00	-0-
	2-1-77	7,000.00	-0-
	2-1-78	8,000.00	-0-
	2-1-79	8,000.00	339.44
NC-31-5-3-00272-0	Shaw University Academic Bldg. Bond of 1967 due 11-1-81	6,000.00	-0-
	11-1-82	6,000.00	3,750.00
ORE-35-5-9-00230-0	Marylhurst College Library Bldg.Bd. of 1968 due 11-1-81	12,000.00	4,155.00
	5-1-81	-0-	4,155.00
	11-1-82	12,000.00	4,155.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
PA-36-5-2-00193-0	Point Park College Academic Bldg. Bd. of 1965		
	due 11-1-75	27,000.00	-0-
	11-1-76	28,000.00	-0-
	11-1-77	29,000.00	-0-
	11-1-78	30,000.00	-0-
	11-1-79	31,000.00	15,443.75
	5-1-80	-0-	16,068.75
	11-1-80	32,000.00	16,068.75
	5-1-81	-0-	16,068.75
	11-1-81	33,000.00	16,068.75
	5-1-82	-0-	15,581.25
	11-1-82	35,000.00	15,581.25
PA-36-5-2-00247-0	Beaver College Science Academic Bldg.Bd. of 1970		
	due 5-1-76	-0-	18,225.00
	11-1-76	33,000.00	18,225.00
	5-1-77	-0-	18,225.00
	11-1-77	34,000.00	18,225.00
	5-1-78	-0-	18,225.00
	11-1-78	35,000.00	18,225.00
	5-1-79	-0-	18,225.00
	11-1-79	37,000.00	18,225.00
	5-1-80	-0-	18,225.00
	11-1-80	38,000.00	18,225.00
	5-1-81	-0-	18,225.00
	11-1-81	39,000.00	18,225.00
	5-1-82	-0-	18,225.00
	11-1-82	40,000.00	18,225.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
SD-39-5-6-00259-0	Yankton College Library Bldg. Bd. of 1970		
	due 11-1-76	7,000.00	-0-
	11-1-77	7,000.00	-0-
	5-1-78	-0-	3,911.71
	11-1-78	8,000.00	3,945.00
	5-1-79	-0-	3,945.00
	11-1-79	8,000.00	3,945.00
	5-1-80	-0-	3,945.00
	11-1-80	8,000.00	3,945.00
	5-1-81	-0-	3,945.00
	11-1-81	9,000.00	3,945.00
	5-1-82	-0-	3,945.00
	11-1-82	9,000.00	3,945.00
TEN-40-5-3-00331-0	Christian Brothers College Science Bldg.Bond of 1963		
	due 5-1-75	10,000.00	-0-
	5-1-76	10,000.00	-0-
	5-1-77	10,000.00	-0-
	5-1-78	11,000.00	-0-
TEN-40-5-4-00332-0	Christian Brothers College Library Bldg. Bond of 1968		
	due 5-1-76	7,000.00	-0-
	5-1-77	7,000.00	-0-
	5-1-78	8,000.00	-0-

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
TEN-40-5-4-00345-0	Bethel College Library Bldg.Bond of 1965		
	due 11-1-71	6,000.00	-0-
	11-1-72	6,000.00	-0-
	11-1-73	7,000.00	-0-
	5-1-74	-0-	3,261.50
	11-1-74	7,000.00	4,481.25
	5-1-75	-0-	4,481.25
	11-1-75	7,000.00	4,481.25
	5-1-76	-0-	4,481.25
	11-1-76	7,000.00	4,481.25
	5-1-77	-0-	4,481.25
	11-1-77	8,000.00	4,481.25
TEN-40-5-4-00345-0 (Con't)	Bethel College Library Bldg. Bond of 1965		
	due 5-1-78	-0-	4,481.25
	11-1-78	8,000.00	4,481.25
	5-1-79	-0-	4,481.25
	11-1-79	8,000.00	4,481.25
	5-1-80	-0-	4,481.25
	11-1-80	9,000.00	4,481.25
	5-1-81	-0-	4,481.25
	11-1-81	9,000.00	4,481.25
	5-1-82	-0-	4,481.25
	11-1-82	9,000.00	4,481.25

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
TEX-40-5-4-00346-0	Dethel College Fine Arts & Physlical Education Bd. of 1970		
	due 11-1-74	-0-	5,035.00
	5-1-75	-0-	6,765.00
	11-1-75	12,000.00	6,765.00
	5-1-76	-0-	6,765.00
	11-1-76	12,000.00	6,765.00
	5-1-77	-0-	6,765.00
	11-1-77	12,000.00	6,765.00
	5-1-78	-0-	6,765.00
	11-1-78	13,000.00	6,765.00
	5-1-79	-0-	6,765.00
	11-1-79	13,000.00	6,765.00
	5-1-80	-0-	6,765.00
	11-1-80	14,000.00	6,765.00
	5-1-81	-0-	6,765.00
	11-1-81	14,000.00	6,765.00
	5-1-82	-0-	6,765.00
	11-1-82	14,000.00	6,765.00
TEX-41-5-7-00039-0	Bishop College Academic Bldg. Bond of 1967		
	due 8-1-79	-0-	5,760.00
	2-1-80	16,000.00	5,760.00
	8-1-80	-0-	5,760.00
	2-1-81	17,000.00	5,760.00
	8-1-81	-0-	5,760.00
	2-1-82	17,000.00	5,760.00
	8-1-82	-0-	5,760.00
	2-1-83	18,000.00	5,760.00

PROJECT	OBLIGOR		PRINCIPAL	INTEREST
TEX-41-6-7-00109-0	Wiley College Academic Bldg. Bd. of 1966 due	5-1-79	16,000.00	-0-
		5-1-80	17,000.00	-0-
		11-1-80	-0-	3,837.50
		5-1-81	17,000.00	13,556.25
		11-1-81	-0-	13,556.25
		5-1-82	18,000.00	13,556.25
		11-1-82	-0-	13,556.25
TEX-41-6-7-00382-0	Bishop College Academic Bldg. Bd. of 1977 due	2-1-79	-0-	9,094.27
		8-1-79	-0-	22,500.00
		2-1-80	-0-	22,500.00
		8-1-80	-0-	22,500.00
		2-1-81	-0-	22,500.00
		8-1-81	-0-	22,500.00
		2-1-82	-0-	22,500.00
		8-1-82	-0-	22,500.00
		2-1-83	25,000.00	22,500.00
VT-43-6-1-00171-0	Windham College Academic Bldg. Bond of 1966, Ser. A due 11-1-75		-0-	3,393.75
	5-1-76		3,000.00	3,393.75
	11-1-76		-0-	3,393.75
	5-1-77		3,000.00	3,393.75
	11-1-77		-0-	3,393.75
	5-1-78		4,000.00	3,393.75
	11-1-78		-0-	3,393.75
	5-1-79		4,000.00	3,393.75
	11-1-79		-0-	3,393.75
	5-1-80		4,000.00	3,393.75
	11-1-80		-0-	3,393.75
	5-1-81		4,000.00	3,393.75
	11-1-81		-0-	3,393.75
	5-1-82		4,000.00	3,393.75
	11-1-82		-0-	3,393.75

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
VT-43-5-1-00172-0	Windham College Academic Bldg. Bond of 1965, Ser. B		
	due 11-1-75	-0-	5,850.00
	5-1-76	8,000.00	5,850.00
	11-1-76	-0-	5,850.00
	5-1-77	8,000.00	5,850.00
	11-1-77	-0-	5,850.00
	5-1-78	8,000.00	5,850.00
	11-1-78	-0-	5,850.00
VT-43-5-1-00172-0 (Con't)	Windham College Academic Bldg. Bond of 1965, Ser. B		
	due 5-1-79	9,000.00	5,850.00
	11-1-79	-0-	5,850.00
	5-1-80	9,000.00	5,850.00
	11-1-80	-0-	5,850.00
	5-1-81	9,000.00	5,850.00
	11-1-81	-0-	5,850.00
	5-1-82	9,000.00	5,850.00
	11-1-82	-0-	5,850.00
VT-43-5-1-00173-0	Windham College Academic Bldg. Bond of 1967		
	due 11-1-75	8,000.00	6,675.00
	5-1-76	-0-	6,675.00
	11-1-76	8,000.00	6,675.00
	5-1-77	-0-	6,675.00
	11-1-77	9,000.00	6,675.00
	5-1-78	-0-	6,675.00
	11-1-78	9,000.00	6,675.00
	5-1-79	-0-	6,675.00
	11-1-79	9,000.00	6,675.00
	5-1-80	-0-	6,675.00
	11-1-80	9,000.00	6,675.00
	5-1-81	-0-	6,675.00
	11-1-81	10,000.00	6,675.00
	5-1-82	-0-	6,675.00
	11-1-82	10,000.00	6,675.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
VT-43-6-1-00177-0	Goddard College Corp. Academic Bldg. Bond of 1969		
	due 5-1-75	23,000.00	-0-
	11-1-75	-0-	6,285.00
	5-1-76	23,000.00	6,285.00
	11-1-76	-0-	6,285.00
	5-1-77	24,000.00	6,285.00
	11-1-77	-0-	6,285.00
	5-1-78	25,000.00	6,285.00
	11-1-78	-0-	6,285.00
	5-1-79	25,000.00	6,285.00
	11-1-79	-0-	6,285.00
	5-1-80	26,000.00	6,285.00
	11-1-80	-0-	6,285.00
	5-1-81	27,000.00	6,285.00
	11-1-81	-0-	6,285.00
	5-1-82	28,000.00	6,285.00
	11-1-82	-0-	6,285.00
[illegible]-5-3-00130-0	Marymount College Dormitory-Dining Classroom Bd Series B		
	due 5-1-81	3,000.00	-0-
	5-1-82	15,000.00	-0-
[illegible]-5-3-00171-0	Morris Harvey College Physical Ed Bldg Bd of 1967		
	due 11-1-79	-0-	5,400.00
	5-1-80	15,000.00	5,400.00
	11-1-80	-0-	5,400.00
	5-1-81	16,000.00	5,400.00
	11-1-81	-0-	5,400.00
	5-1-82	16,000.00	5,400.00
	11-1-82	-0-	5,400.00

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
WIS-47-5-5-00350-0	Milton College Library [illegible] Bd of 1966		
	due 11-1-73	5,000.00	-0-
	11-1-74	5,000.00	-0-
	5-1-75	-0-	190.00
	11-1-75	5,000.00	2,385.00
	5-1-76	-0-	2,535.00
	11-1-76	5,000.00	2,535.00
	5-1-77	-0-	2,535.00
	11-1-77	6,000.00	2,535.00
	5-1-78	-0-	2,535.00
	11-1-78	6,000.00	2,535.00
	5-1-79	-0-	2,535.00
	11-1-79	6,000.00	2,535.00
	5-1-80	-0-	2,535.00
	11-1-80	6,000.00	2,535.00
	5-1-81	-0-	2,535.00
	11-1-81	6,000.00	2,535.00
	5-1-82	-0-	2,535.00
	11-1-82	6,000.00	2,535.00
WIS-47-5-5-00355-0	Mt. Senario College, Inc. Academic Bldg Bd of 1971		
	due 12-1-72	14,000.00	-0-
	12-1-73	15,000.00	-0-
	12-1-74	15,000.00	-0-
	12-1-75	16,000.00	-0-
	12-1-76	16,000.00	-0-
	12-1-77	17,000.00	-0-

PROJECT	OBLIGOR	PRINCIPAL	INTEREST
WIS-47-6-6-00365-0 (Con't)	Mt. Senario College, Inc. Academic Bldg. Co. of 1971		
	due 12-1-78	17,000.00	-0-
	6-1-79	-0-	6,747.55
	12-1-79	18,000.00	9,937.50
	6-1-80	-0-	9,937.50
	12-1-80	19,000.00	9,937.50
	6-1-81	-0-	9,937.50
	6-1-82	-0-	9,562.50
	12-1-82	20,000.00	9,562.50
WIS-47-6-5-00366-0	Viterbo College Inc. Fine Arts Bldg. Bond of 1970		
	due 5-1-76	-0-	15,000.00
	11-1-76	41,000.00	37,500.00
	5-1-77	-0-	37,500.00
	11-1-77	43,000.00	37,500.00
	5-1-78	-0-	37,500.00
	11-1-78	44,000.00	37,500.00
	5-1-79	-0-	37,500.00
	11-1-79	45,000.00	37,500.00
	5-1-80	-0-	37,500.00
	11-1-80	47,000.00	37,500.00
	5-1-81	-0-	37,500.00
	11-1-81	48,000.00	37,500.00
	5-1-82	-0-	37,500.00
	11-1-82	49,000.00	37,500.00

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

DRAFT REGISTRATION AND STUDENT AID

Last year Congress passed a law to deny Federal financial assistance to male students over age 18 who fail to register for the draft. Your Department would be responsible for enforcing this law which is scheduled to go into effect on July first.

Question: Since there already are laws to deal with Selective Service Act violations, enforced by the Department of Justice, why is it necessary to add this additional requirement linking student financial assistance with draft registration?

Answer: As you know, Senator, the recent amendment (P.L. 97-255) to the Military Selective Service Act to which you refer was based on bills introduced by Congressman Solomon and Senator Hayakawa in the House and Senate respectively last summer in response to the belief of many members that Federal student financial assistance funds should not be expended on those students who have not fulfilled their Federal responsibility of registering with the Selective Service. Neither the original bills nor the amendment were to be associated with registration for the draft as the draft no longer exists. Congress overwhelmingly approved the amendment, supporting the position that linking Federal priviledges to Federal responsibilities was not only necessary but essential. The Department is thus seeking to fulfill its role in implementing through regulation, this new requirement to Federal student financial assistance.

Question: Because the law would specifically be aimed at male students from economically disadvantaged families, who are dependent on student financial assistance, isn't it discriminatory?

Answer: Congress did not "aim" the amendment at male students from "economically disadvantaged families." Rather, it was to apply to those males who have applied for Federal assistance under the Title IV programs (i.e. the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study, National Direct Student Loan, Guaranteed Student Loan, and State Student Incentive Grant programs) who are: 1) not members of the armed services on active duty; 2) born after January 1, 1960; 3) 18 years of age or older; and/or 4) not permanent residents of the Trust Territory of the Pacific Islands or the Northern Mariana Islands.

Because the Military Selective Service Act, to which this new eligibility criterion is linked, requires all males to register on or after their eighteenth birthday, we do not believe that it is discriminatory. The so-called Solomon Amendment simply restricts the benefits available to students under Title IV of the Higher Education Act to those males who have registered. Since Title IV student assistance benefits are available to lower-, middle- and in some instances, upper-income students, there is no evidence to suggest that it discriminates against economically disadvantaged students.

Question: Can the law realistically be implemented without placing costly burdens on college and university financial aid offices?

Answer: In our development of the regulations to implement the amendment, the Department worked closely with representatives of the Selective Service and the higher education community to ensure that the new Title IV eligibility requirement would be introduced in the most efficient and least burdensome manner consistent with Congressional intent that there be a minimum burden placed on educational institutions and that the process of disbursing student aid funds not be excessively delayed. The Notice of Proposed Rulemaking (NPRM) published on January 27, 1983 reflected this effort in the Department's proposal of a regulation which implemented the statute's requirements for a statement of registration compliance and a method of verifying that statement. The most cost-effective and expedient method of collecting and verifying the statement, without causing delays was to place the primary burden of proof of compliance on the student, not on the institution.

Following a review of the public comments on the NPRM and two appearances before the House Postsecondary Subcommittee chaired by Congressman Simon, the Department published its final regulation which modified the earlier proposed verification procedures in response to the concern shared by all for the avoidance of delays in awards. The verification procedures will now be phased-in and will become effective in the 1984-85 academic year although students' statements of compliance will still be subject to verification during the normal process of auditing institutions' records. We believe this final regulation can be realistically implemented without placing costly burdens on postsecondary institutions and without disrupting the disbursement of Federal financial assistance.

Question: How do your proposed regulations to deal with this law safeguard against processing errors and difficulties which could cause disruptions in the awarding of student financial assistance?

Answer: In the process of developing the regulations to implement the amendment to the Military Selective Service Act, considerable attention was given to ensuring that any potential disruption or delay in the disbursement of Title IV aid to eligible students would be prevented. One specific example of this conscientious approach was the Department's decision to delay the date for requiring the use of the proposed verification procedures. This was done to ensure that students and institutions would have sufficient time to acquaint themselves with the new law and develop the necessary institution-based procedures for complying with the few new application processing steps it will require.

Question: How do your proposed regulations deal with the issue of conscientious objection?

Answer: Neither the proposed regulation published in January, nor the forthcoming final regulation, address the issue of conscientious objection. As passed by Congress, the amendment to the Military Selective Service Act is clear and straightforward in focusing its attention on compliance with the process of registration. If a male student is required under the Act to register with the Selective Service System, and has not done so, he is ineligible for Title IV student assistance benefits.

The Military Selective Service Act currently requires registration only. Should Congress enact further requirements, such as the classification of registrants, the issue of conscientious objection would then be appropriately addressed in the broader context of the policies and procedures of the Selective Service System. How this senario might specifically affect the content and publication of future regulations cannot be determiend at this time.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

PROPOSAL TO ELIMINATE SPECIAL ALLOWANCE PAYMENTS

Senator Rudman: Last year, the Administration requested a change in the GSL program whereby all students would be required to pay market interest rates on their loans beginning two years after graduation. I supported that idea on the grounds that those fortunate enough to receive a college education would be settled enough so that the Federal subsidy on their college loan could end two years after they were working without causing undue hardship. The Administration has chosen not to renew that proposal. Why? How much would it save?

Answer: The negative reaction from potentially affected constituent groups was taken into consideration when we made our decision not to make this proposal again. Given that such a provision would apply only to new loans, the savings would be minimal for five years after implementation of the proposal (assuming the average borrower remains in school for three years after receiving the loan and the market interest rates take effect two years after graduation). Such a proposal would result in substantial long term savings, depending of course on future T-bill rates.

ORIGINATION FEE PROPOSAL

Senator Rudman: Regarding the proposed doubling of the origination fee for graduate students:

If the origination fee is changed from 5 to 10 percent, what would that increase the real interest rate on the GSL loan to?

Your proposal may make some sense when one is discussing law or engineering graduate students. However, the higher rates of pay being discussed do not really exist for liberal arts and teaching students. Has the Administration analyzed the impact of this proposal on would-be science and math teachers, particularly in light Congressional intention to encourage students to go into those fields?

Answer: Assuming a combined in-school and grace period of three years and an insurance premium of one percent based on the in-school/grace period life of loan, our proposed increase in the origination fee charged graduate students would raise the "prior to repayment annual percentage rate" from about 3.1 percent to about 5.2 percent for all instances of single-disbursement regular loans. The "during repayment annual percentage rate" would remain at 9 percent. However, we would like to point out that, in "real" terms, because of the delay until after the student leaves school before interest or principal payments are made, and assuming adjustments for inflation, a typical GSL borrower pays "effective" interest rates of close to zero. This point was recently emphasized in the National Commission on Student Financial Assistance Final Report entitled, Study of the Cost to Borrowers of Participating in the Guaranteed Student Loan Program.

In answer to the second issue you raise, we do not believe that implementation of this proposal would affect graduate student borrowing patterns, regardless of the student's field of study. I would also like to point out that the greatest benefit of this proposal is that it reduces Federal subsidy costs while permitting graduate students to continue to borrow under the regular GSL component, and thus continue to receive in-school interest benefits. Also, the increased repayment burden during the repayment period would be very modest. For example, the monthly payments of a student borrowing $3,000 for each of three years of graduate school and repaying over a ten-year period would be increased by only $5.70 due to the proposal.

INDEPENDENT STUDENTS

Senator Rudman: One area of concern to many in recent years has been the problem of students who are really dependent on their parents for support declaring themselves to be independent. What has the Department done regarding this problem?

If not, why not?

Answer: The Department recognizes the problems associated with the current dependency status definition which is used when students apply for Federal student financial assistance. In an attempt to correct these problems, the Department will be issuing a Notice of Proposed Rulemaking (NPRM) to amend the Student Assistance General Provisions. The amendment proposes a more stringent definition of the independent unmarried student who is not at least 22 years old and who does not have dependents. The criteria for dependency status will be based on prior data regarding the student's relationship with his/her parents (residency, income tax exemption and financial support) as well as the age of the student. The NPRM was developed in conjunction with the financial aid community and this cooperative effort should result in a workable regulation which will reduce inaccuracies endemic to the current system.

In addition, our proposed legislation for 1984 includes provisions to treat married independent students with no dependents other than a spouse differently from other married independent students. In the former situation the married students receive the same treatment under the need analysis system as single independent students. However, for those independent students with dependents, not including the spouse, the treatment would be the same as the treatment of the family of dependent students.

REGIONAL DISPARITIES IN THE COST OF LIVING

Sentor Rudman: To what extent does the Administration's proposals take into account regional variations in the cost of living as well as the cost of education? This is of particular importance to the Northeast which is facing tremendous energy costs.

Answer: The Administration's 1984 budget proposals do not incorporate any new proposals which account for regional variations in the cost of living. However, under the Administration's fiscal year 1984 budget proposal, the Self-Help Grant program will provide a more realistic allowance for indirect educational costs of $1,500 and $3,000 depending on whether the student lives at home or lives away from home in alternative housing. This allowance, which includes the cost of living, will be in addition to actual tuition and fees charged by the institution. Currently all students who do not live on campus receive the same allowance of $1,500, whether they live at home with their parents or not.

This proposal, by standardizing living allowances, will redress the inequities of providing similar living allowances to students in dissimilar circumstances. Awards to students who live at home with their parents and commute to school will not be the same as those who live off-campus, but not with their parents.

In regard to your concerns about the cost of education, the Administration's new proposals were particularly constructed to make awards more sensitive to educational costs. Awards will vary in relationship to the direct educational costs of tuition and fees. Awards will be available to students of up to $1,200 at schools costing $2,000, $2,060 at schools costing $3,430, and up to $3,000 at schools costing $7,200 or more. The increase in financial assistance will assist students select among a wider array of institutions that can better meet their specific educational needs. Students attending any one of the higher cost New England institutions will benefit substantially from Federal grant assistance under our proposals.

STUDENT SELF-HELP REQUIREMENT

Senator Rudman: To talk in terms of students coming up with $800 is one thing. To talk in terms of students meeting 40 percent of the cost of their education at a private institution seems to me to be entirely unrealistic. Having just put 3 children through college, I am somewhat familiar with this subject. Last year, on a similar proposal, I commented my children could not have done that with any job that was legal. My question is: how is a student attending Dartmouth expected to meet the 40 percent self-help requirement? Please be specific.

Answer: The Administration's fiscal year 1984 budget proposals have been carefully designed to assist students in meeting the cost of higher education. The self-help contribution can be met through a variety of resources. Some of these resources include part-time employment, summer savings, State scholarships, institutional assistance, and any other source of non-Federal grant assistance. In addition, The Federal Government has proposed an expanded Work-Study program to provide part-time employment to eligible students. Additionally, the Direct and Guaranteed Student Loan programs will be available to needy students to assist them in meeting their self-help contribution. Students are eligible to borrow up to $3,000 under the Direct Loan program and up to $2,500 under the Guaranteed Student Loan program.

Specifically, a school similar to Dartmouth would have total costs of about $13,000. The potential Self-Help award would be

$3,000. The student might meet the remainder in a variety of ways. A conservative estimate of summer savings of $1,500 and part-time work during the school year of $1,000 could earn the student $2,500. Institutional and State aid might provide grants of $2,000, while loans from the federally supported loan programs could meet the remaining $5,500 deficit. (The student might borrow a $2,500 GSL and his parents a $3,000 PLUS loan.) This does not include other sources the student might tap of merit scholarships, family loans, etc.

NATIONAL FORMULA VS. INSTITUTIONAL FLEXIBILITY

Senator Rudman: How do you square the Administration's generally favored concept of increasing flexibility at the local level to meet specific needs with this proposal of establishing everything on the basis of one centralized formula?

Answer: The Administration's concept of providing need-based grants to postsecondary students based on a national need analysis system and of providing need-based aid which is distributed on campus with its built-in flexibility and sensitivity to individual differences will be maintained in this budget. The eligibility for the Self-Help Grants will be determined from one centralized formula. The awards for the Work-Study and Direct Loan programs will be determined from several formulas and will be administered on-campus. Although several need-analysis systems may be used by different institutions for the campus-based programs, the most common system is the "Uniform Methodology" need analysis system developed by the financial aid community. A student's eligibility for the Guaranteed Student Loan (GSL) also will be determined under several systems which meet the criteria established by the Secretary of Education.

Therefore, continued administration of the campus-based awards of Work-Study and Direct Loans at the campus level and the participation of the campus financial aid official in determining GSL levels provide for the necessary flexibility to fit student aid to each individual circumstance.

Senator Rudman: What role do you see for financial aid administrators making specific determinations on the basis of the specific financial problems facing each student?

Answer: The role of the financial aid administrator will not change under our proposals. The flexibility allowed in the campus-based regulations for financial aid administrators to make specific determinations regarding the financial capability of an individual student and his or her family to meet postsecondary education costs is unaffected by our proposals. Individual awards to needy students will increase under the Self-Help program and reduce the unmet need of students which the financial aid advisor is attempting to meet. The Self-Help grant in conjunction with the increase of $310 million for the Work-Study program will more than compensate for any reduction in the Supplemental Grant program.

COLLECTION AGENCY ACTIVITY

Senator Rudman: How much of the defaulted loans have been collected by the three collection agencies which received contracts last summer?

What is their percentage success rate? In other words, how much have they collected in comparison to the dollar value of the loans referred to them?

Of the amount collected, how much has been returned to the Department and how much was kept by the collection agencies as their fee? How does that fee compare with those charged by other agencies?

Answer: The private collection agencies have recovered $10.7 million through March 31, 1983 in defaulted Federal Insured Student Loans (FISLs) since they first received defaulted accounts in January, 1982. Their FISL success rate, defined as total collections divided by the value of the portfolio currently being handled by them (principal plus purchased and accrued interest--$449.8 million as of March 31, 1983) equals 2.38 percent. However, this method of calculating their success rate is not indicative of their true success. The private agencies have converted a total of 20,518 FISL accounts valued at $43.6 million into repayment status. Assuming that these accounts will result in accounts being paid-in-full, a more accurate assessment of the private agencies' success rate is 9.69 percent.

All monies collected by the private agencies are deposited with the Department of Treasury. The agencies then bill us for the amount due them. As of March 31, 1983, the Department has paid $3.268 million in commissions to the collections agencies based on their FISL collection activity. This corresponds to an average commission charge of 33 percent.

Given the fact that these private agencies were awarded contracts after competitive evaluations from all offerors were completed, I can assure you that the fees charged by these agencies are comparable with, and in some cases less than, those charged by other private collection agencies.

Senator Rudman: What are collection procedures employed by the agencies under contract?

When do they attempt to telephone the defaulters? How many have been telephoned?

When do they take legal action? How often has legal action been taken?

What standards are being used in determining whether to take legal action? Does the Department believe there is deterrence value in taking legal action in selected cases even if the individual action, by itself, may not be cost-effective?

Answer: Upon receipt of a defaulted student loan from the Department of Education, the private collection agencies must first attempt to contact the borrower by mail, using the best-known address of the borrower. Skip-tracing (locating) efforts are performed on all accounts which do not respond to the initial letter contact. If telephone numbers can be obtained by this effort, contact is then made by telephone. The collection agencies estimate that approximately 15 percent of the borrowers whose accounts have been transferred to them have been contacted by telephone.

Legal action cannot be taken by the private agencies. For legal action to occur, the account must be returned to the Department of Education and then forwarded to the Department of Justice for litigation. The Department of Education has requested the authority to use private attorneys on a pilot basis for the purposes of expediting the litigation process. Therefore, accounts that the private agencies have requested legal action are currently being held, pending the outcome of this request.

While there are no specific standards in determining which cases will be litigated, the following are the standards that are generally followed: (1) The account should be in excess of $1,000; (2) The defaulter should have assets available to cover the debt; (3) The defaulter should be employed; and (4) The Department should have the defaulter's current home address.

The deterrence value of possible litigation in the collection of defaulted student loans is not quantifiable, but it is probably the single most effective tool available to the Department. Thus, although any one individual litigation effort may not be particularly cost-effective, litigation is a tool which the Department will continue to use in its collection efforts.

PROCESSING OF PELL GRANTS

Senator Rudman: The cost of processing Pell Grants has increased from $28.8 million in fiscal 1982 to $43.3 million in the proposed fiscal 1984 budget, an increase of over 50 percent in two years. What is the reason for the tremendous increase, particularly in light of the Department's proposal to reduce the data elements necessary for Pell Grant processing from 22 to 5?

Answer: The processing costs you cite are not annual processing costs. Our annual cost for processing Pell Grants is $15.3 million in 1981, $14.3 million in 1982 and $13.7 million in 1983. The total of these three years is $43.3 million. We are now receiving bids for a processing contract for 1984. We have tentatively budgeted $14.5 million for that item.

Processing costs have tended to parallel the numbers of applicants in the Pell Grant program. For example, in 1975-76, there were approximately 2.34 million students submitting official applications for financial assistance to the Pell Grant program. Costs of processing totalled $1.7 million. In 1976-77, the number of applications submitted to the Pell Grant program increased to approximately 3.6 million and costs rose to $3.1 million. This pattern of cost increases is evident during each year of an increase in students submitting applications to the Pell Grant program. By 1982-83, with more than 5 million applications being submitted to the Pell Grant program, the amount of money obligated for processing applications totalled $14.3 million.

In addition, there have been some subsidiary costs which have contributed to the increase in the amount obligated for processing applications. These costs were due to enhancements to the processing system in order to detect misreporting and error on applications. Additionally, there was a period during which the processing system offered services to the public and institutions in an attempt to expedite the processing and awarding of Federal financial aid. However, with the increase in the costs of providing these services, the Department has curtailed certain services which were of lower priority.

Senator Rudman: What is the history of centralized processing of Pell Grants? When was it instituted? Who has had the contract in each year and at what cost to the Federal Government?

Answer: The application processing for Pell Grants has been centralized since inception. The first processing cycle was for academic year 1973-1974.

The first and second contracts were awarded by competitive bid to American College Testing Programs, Iowa City and the third contract was awarded by competitive bid to Systems Development Corporation, Santa Monica, California.

A distribution of obligations by academic year and contractor is provided below:

System Development Corporation
Santa Monica, California
Contract #300-80-0840

Academic Year	Obligation Amount
1983-84	$13,739,120
1982-83	14,315,831
1981-82	15,306,298

American College Testing Program
Iowa City, Iowa
Contract #100-77-0101

1980-81	13,611,918
1979-80	11,850,598
1978-79	9,015,321

American College Testing Program
Iowa City, Iowa
(Estimate)

1977-78	6,286,676
1976-77	3,097,373
1975-76	1,668,580
1974-75	1,290,945
1973-74	2,834,316

Senator Rudman: Under the proposed budget, the cost of processing Pell Grants is estimated to be $20 per eligible student. Might it not be cheaper to require each institution, which are already doing this kind of work for the campus-based Federal and their own programs, to undertake the Pell Grant processing even if they were to be paid an administrative allowance to cover their own costs.

Has the Department considered this course? Why or why not?

Answer: First, I would like to point out that the processing cost must actually be determined on the basis of number of applications processed. However, even if we calculate a cost per eligible student, the cost is only $6, not $20.

The Department has considered shifting more of the administrative activities to the institution; however, there are a number of reasons why a centralized processing system is used:

(1) Institutions do not have the necessary experience. Although the institution is required to use an approved need analysis system for all Federal campus-based aid, schools do not currently perform the need analysis activities but use a system provided through a service agency. For example, the College Scholarship Service of the College Board provides a "Uniform Methodology" process for use by institutions;

(2) Many of the schools that participate in the Pell Grant program do not have computer capability nor do they have access to a computer facility. Some small schools do not have financial aid staff, but employ consultants instead. For those institutions that do have the capability to process Pell Grants, there is the question of whether they would be able to handle the applicant volume;

(3) The integrity of the entitlement nature of the Pell Grant program could be threatened if aid personnel had any discretion in awarding aid. There would have to be built-in guarantees so that the formula for determining need would be applied consistently to each applicant;

(4) A centralized application processing system ensures timeliness in application processing, consistency in determining a family's financial strength, and tighter controls on fraud, waste, and abuse;

(5) The Department would not have the early access to applicant data from the processing system with which to make projections to formulate budget proposals and justify changes in program policy;

(6) The services provided to State agencies and institutions (rosters and tapes) would no longer be available. Institutions and agencies use this information as the basis for funding projections to prevent shortfalls in administering the programs. In a period of declining enrollment, institutions and agencies use the rosters to contact students to find out why they have not enrolled. State agencies rely on the rosters for information on other aid the student may be getting in order to package State aid, thus minimizing instances of overawards while targeting their limited funds to the neediest;

(7) Timely information on the aggregate of Pell Grant processing would no longer be available. It would also be extremely difficult to make changes once the processing had begun. If our experience

in the past is any harbinger of the future, numerous changes are made during the course of the processing year;

(8) Out of approximately 800 actively participating Alternate Disbursement System (ADS) schools, only 100-200 schools participate in the campus-based programs. The remaining 600-700 schools rely on the Federal processor to determine whether their students are eligible for Pell Grant awards. The main reasons these schools are on the Alternate Disbursement System is that they do not have the staff or administrative capability or do not participate for religious reasons. Because of religious affiliations, Brigham Young University (with 5,000 Pell Grant recipients) and Ricks College (with 1,000 Pell Grant recipients) do not accept the present administrative allowance. Their religious affiliations prevent them from acting as disbursing agents for the Federal Government; and

(9) If institutions were to operate the Pell program similar to the way they operate campus-based programs, the Department would have to allocate 80-100 percent of the funds up front. This would create a cash flow drain on the Treasury. In addition, changes in enrollment patterns would create problems for the institutions. Because of the entitlement nature of the program, once a student has been determined eligible for a Pell Grant, that student must receive an award. No ready mechanism would exist for reallocation of funds to schools. The net effect of this would mean that schools with increased demand would suffer while other schools would have funds in excess of their needs for an entire award year.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

CAMPUS-BASED AID ALLOCATION FORMULA

Senator McClure: Last year, the Committee became aware of possible discrepencies in the amount of money that States, of relatively equal student population and per capita income, receive in the campus based student financial aid programs. The Committee directed that the Department undertake a comparative study of the allocation formula and the actual dollar allocations made for the campus-based programs and to make recommendations for a solution if the discrepencies are found to exist. In undertaking this study, the following questions should be answered for the record:

(1) Will the Department address the formulas used for the campus-based programs to several States that are similar to Idaho in terms of student population and per capita income?

Answer: The study now being prepared in response to the Senate Appropriations Committee request will address the current statutory and regulatory formulas used to distribute funds under each of the campus-based programs. The effect of these regulatory and statutory provisions on all of the States will be displayed.

To then compare the effect of these provisions against factors which are not now a part of the formula, such as per capita income, is the kind of analysis which is being conducted for purposes of both the Committee's request and our reauthorization process. The results of that analysis will be made available to Congress at the appropriate time.

(2) Is Idaho, and other States like Idaho, being penalized because of high State commitment to funds for higher education?

Answer: High State financial commitments in support of higher education have no direct relationship to the distribution of funds under the campus-based programs. As you know, 90 percent of the funds were distributed on the basis of statutory formulas using objective census data unrelated to State contributions to higher education. Currently, P.L. 97-301 has superceded the formula and has provided for the distribution of funds on the basis of each State's share of the 1981 appropriation.

(3) Should the amount of the State contribution to higher education be considered in the funding formula? Don't residents of a State with a high contribution rate end up subsidizing students, to a greater degree, who attend school in a low-contribution State?

Answer: At the present time the State contribution to higher education is not directly considered as part of the funding formula. Whether or not it should be and whether residents of a high contribution State should subsidize students who attend school in a low contribution state is a reauthorization issue that both the Congress and the Administration may consider. The authorization of the campus-based programs will expire on October 1, 1985. The Department review of the Higher Education Act is now undergoing analysis and that issue is certain to be addressed as a part of that process. Congress, of course, has the ultimate legislative authority to embrace or reject such a concept.

(4) The funding formulas for the SEOG, CWS and NDSL programs are complicated. Wouldn't substituting a total measure of need within the States be a simpler formula? Will the Department investigate and report what the State allocations would have been in 1981-82 using the Pell Grant formula?

Answer: The funding formulas for each of the campus-based programs--Supplemental Grants, Work-Study, and Direct Loans--are indeed complicated. Whether a less complicated formula, such as an aggregate measure of need, is a usable substitute will be an essential issue to be investigated during the reauthorization process. One of the problems will be to determine an accurate measure of need. For example, since there is no State grant formula, the funding under the Pell Grant program goes directly to students and is unrelated to the State or the specific institution chosen. Our records show the funds as they are distributed to students, and not by their State of residency or where they "spend" the grant. Independent studies have been done to show the level of Pell Grant funds by State and these might be used to suggest a "measure of need." However, a great deal of work needs to be done to find a method to ascertain "need" by State before we could display a State by State allotment.

(5) Why does the Department continue to rely on baseline figures? Is reliance on historical figures an accurate measure of need within a State? Levels of need have obviously changed since the baselines were established. Wouldn't it be wise to start with new

baseline figures rather than relying on those accumulated between 1972 and 1979?

Answer: The baseline figures used to distribute funds under the individual program's statutory formulas, such as higher education full-time equivalency enrollment for Supplemental Grants, is updated each year to reflect the latest Census data. The 1972 State hold-harmless and institutional 1979 hold-harmless provisions are also part of the Higher Education statute and do affect the distribution of funds and to some degree maintain a distribution which was in effect in 1972 and in 1979. To provide a formula which relates to a criteria more related to need would require legislative amendments to the statute to overcome the hold-harmless provisions. The Administration will be reviewing all of those statutory provisions as part of the reauthorization process.

(6) Will the Department report to the Committee the amount of money received by the States identified as being similar to Idaho, as per question #1, in 1972 and compare that figure to the same States' 1981-82 allocation?

Answer: The study now being undertaken in response to the Senate Appropriations Committee will show the effect of the 1972 State hold-harmless provisions by State. It will also show the State distribution in 1981-82 which affected the 1982 and 1983 distributions when the funding droped below the 1981 levels.

Idaho and its similarity to other States requires first a decision about the criteria used to distinguish "similarity." Geographic size, population, per capita income and the State's relative contribution to higher education are all comparisons which might be used. The reauthorization analysis will be the most appropriate vehicle for developing a comparison which might be used as a policy benchmark for revising the allotment formula.

(7) If there are discrepancies found as a result of question #6, will the Department report to the Committee if it believes use of the Secretary's discretionary fund plays a part in explaining those possible discrepencies?

Answer: During the reauthorization process a review of the 10 percent discretionary distribution will be undertaken. Initially the discretionary fund was used to ensure that the hold-harmless provisions in the law were met at the State and institutional levels. Any funds beyond meeting the statutory provisions were used to meet the regulatory provisions developed under the "Fair Share" procedures which were developed to distribute funds to institutions according to the need of their students. That process has been somewhat delayed by the provisions of P.L. 97-301 which distributes funds proportionate to their 1981 distribution.

Again, the term "discrepancies" is subjective and implies that a clear standard of equity exist independent of the statutory formula under which the Department must operate. Such consensus criteria can only be developed during the political process. Need of students may be a viable standard or a State's willingness to assume financial responsibility to support higher education might be considered. As discussed above, many potential criteria will be considered during our reauthorization deliberations.

(8) Will the Department provide a history of the formula changes since 1974 and how that has affected allocations in all 50 States?

Answer: The study currently underway in the Department on the State allotments under the campus-based program will contain an analysis of the effect of significant legislative amendments on distribution of funds since 1974.

(9) Will the Department run the current formulas for all 50 States, without including the conditional guarantees in the baselines?

Answer: The first step in providing an illustration of the effect of the various statutory provisions on the distribution of campus-based funds will require a distribution under the State formula allotment--before the 1972 and 1979 hold-harmless provisions are integrated. That distribution must legally be met first. The second display will show the distribution after the next statutory requirement is met, and so forth. In that manner, Congress will be able to see the actual effect of each statutory provision on the distribution of funds for each of the campus-based programs.

HIGHER EDUCATION PROGRAMS

Senator WEICKER. And now would you present the request for the higher education?

Mr. BAUER. Mr. Chairman, if we may, we would like to submit for the record some questions and answers on the impact of the proposal which were prepared for the House authorizing committee. I think these might help clear up some of the confusion that I still think exists about the impact of the program.

Senator WEICKER. I have no problems, obviously. You are free to present anything that you wish to insofar as the record is concerned.

I want to emphasize and reemphasize just so that this is understood, these are not authorization hearings. What you do, you do at your own peril and your own risk.

PREPARED STATEMENT

This is not Senator Hatch's committee. With that understanding, you had better submit your authorization testimony.

It will be included in the record at this point.

Dr. ELMENDORF. I would introduce Dr. Ron Kimberling, Deputy Assistant Secretary for all the higher education programs.

My record statement will be accepted for the record?

Senator WEICKER. It will.

[The statement follows:]

Statement of Edward M. Elmendorf

Thank you for this opportunity to present the fiscal year 1984 budget request for the higher education account. The 1984 request for this account totals $204.7 million, $128.8 million less than the revised request for 1983. In addition, for fiscal year 1983, we are requesting a supplemental appropriation of $4.8 million for the Institutional Aid programs and rescissions totaling $68.9 million.

Institutional Aid Programs

The Higher Education account supports a number of programs which address the needs of disadvantaged students, particularly at institutions whose enrollment consists of a large percentage of minority and low-income students, including the Nation's historically black colleges and universities. The principal vehicle for Federal assistance to these institutions and their students is the Institutional Aid Program authorized under Title III of the Higher Education Act. These programs are designed to foster improvements in the academic offerings, management and fiscal operations, and student services at participating institutions. Such improvements will strengthen these institutions and enable them to become self-sufficient.

In fiscal year 1984, we are requesting $134.4 million for these programs. This is the same level as provided by the revised 1983 request, which includes a supplemental request for $4.8 million. It is proposed that in fiscal year 1984 a minimum of $45.7 million be allocated to historically black colleges and universities. These institutions are unique National resources which the Administration is committed to supporting.

Minority Institutions Science Improvement

The Minority Institutions Science Improvement Program also plays an important role in serving the needs of students enrolled in institutions of higher education which are predominantly minority. Currently, Blacks, Hispanics, and Native Americans receive less than 10 percent of all bachelor's degrees in mathematics, the natural sciences, and engineering. Designed to increase the pool of minority students qualified to pursue careers in the sciences and engineering, this program enables participating institutions--which must be more than 50 percent minority--to strengthen their science and engineering education programs. Grants are provided to purchase needed equipment, to develop curriculum materials, and to provide advanced training for faculty.

Special Programs for the Disadvantaged

Finally, we are requesting $35 million for student support services which will be focused on institutions which serve large numbers of students from financially disadvantaged backgrounds. To accomplish this, we are proposing several changes in the Special Programs for the Disadvantaged. These include:

- expanding the authorized activities under Special Services for Disadvantaged Students to include the type of outreach activities currently provided under Upward Bound and Talent Search, and

- limiting institutional eligibility to those institutions 50 percent of whose financial aid recipients come from families with incomes of $12,000 or less.

Fund for the Improvement of Postsecondary Education

To aid institutions of higher education in finding solutions to the problems which confront them, we are requesting $6 million for the Fund for the Improvement of Postsecondary Education. Funding for this program will be targeted on projects relating to: (1) telecommunications and technology and (2) community colleges. Beginning in fiscal year 1984, we propose requiring institutions receiving grants under this program to share a portion of the costs. We believe that this will permit the Fund to support approximately the same number of grants that were supported in fiscal year 1982.

Interest Subsidy Grants

Finally, $24.5 million is requested for the Interest Subsidy Grants program which pays the difference between 3 percent and the interest rate on loans obtained in prior years by the institutions of higher education from private lenders. This is an uncontrollable budget item which will decline annually until all existing loans are retired. No new loans are proposed under this program in fiscal year 1984. A total of 610 subsidized loans were approved prior to 1974 under this authority.

Aid to Land Grant Colleges

Also in fiscal year 1984, we are requesting legislation to eliminate the annual appropriation for Aid to Land-Grant Colleges. This mandatory appropriation--which provides to each State and territory $50,000--accounts for only a negligible source of funds for some of the Nation's most financially viable colleges and universities.

Other Higher Education Programs

No funds are requested for thirteen programs supported in 1982 or 1983 under this account. These programs include two which have outlived their intended purposes. These are: the Veterans' Cost-of-Instruction program (VCIP) and Public Service Fellowships. The Veterans' Cost-of-Instruction program was designed to provide services to Vietnam-era veterans. Currently, fewer than 133,000 of these veterans are enrolled at participating institutions and enrollment will continue to fall as the eligible population ages. These institutions will be able to meet the needs of such individuals without further Federal support.

Public Service Fellowships are no longer needed inasmuch as: 1) there are many persons now undertaking training for public service at the graduate level without Federal support, and 2) the demand for persons with such training has been declining at all levels of government.

For six other programs, continued support can be obtained from non-Federal sources or from other Federal agencies. These programs include the International Education and Foreign Language Studies programs--both Domestic and Overseas. For the most part, the activities supported by these programs have become institutionalized and will continue without further Federal support. In addition, funding is available for these kinds of activities from other sources including businesses, philanthropic organizations, and the host institutions themselves. For example, only 8 percent of funding for the National Resource Centers comes from the Domestic International Education and Foreign Language Studies program. Requirements of the Federal Government itself are met through programs financed and operated by the various affected agencies.

Funds for establishment of the Wayne Morse Chair of Law and Politics and the General Daniel James Memorial Education Center were authorized as one-time appropriations and will remain available until expended.

Other programs which we believe are likely to continue at an appropriate level without further Federal funding are: Fellowships for Graduate and Professional Study, Cooperative Education, Law School Clinical Experience, and Legal Training for the Disadvantaged. These and similar programs have received private support over the years and Federal support is no longer required. In most cases, Federal funding has achieved its objective of successfully demonstrating these program approaches.

Supplemental

The President also proposes a 1983 supplemental of $4,816,000 in addition to the current appropriation of $129.6 million for the Institutional Aid programs. This request is necessary to prevent a significant discontinuity in the availability of program funds between academic years 1982 and 1983 and to ensure the continuation of awards to assist these institutions to become self sufficient. Congress recognized the need for this continuity in the provision of awards by providing authority which permitted fiscal year 1982 funds to be carried over for awards in fiscal year 1983. The request which when added to the current appropriation will total $134.4 million, the same as the 1982 level.

Rescissions

As part of the budget proposal, we are also requesting a rescission of funds totalling $68.9 million. These include a rescission of all 1983 funds for: Cooperative Education, Veterans' Cost-of-Instruction, Fellowships for Graduate and Professional Study, Public Service Fellowships, Legal Training for the Disadvantaged, and Law School Clinical Experience.

In addition, rescissions of $29.6 million for Special Programs for the Disadvantaged and $5.7 million of the Fund for the Improvement of Postsecondary Education are also requested. Fiscal year 1983 funds for the Carl Albert Congressional Research and Studies Center, and the Robert Taft Institute of Government are also included under our rescissioh proposal. Sufficient funds should be available from private contributions to fund these activities.

I would be happy to respond to any questions the committee may have.

HIGHER EDUCATION PROGRAMS

Dr. **Elmendorf.** Let me give you an abbreviated overview of the higher education programs. One of the things that has been done this year in terms of preparing for the higher education program presentation of the budget was to look ahead to reauthorization in 1985.

All of these programs, as you know, are up for reauthorization in 1985. We are beginning to look at each of the programs and address some of the serious questions that we think need attention. Particularly since some of these programs are 16 to 17 years old, and do need to be changed.

We also believe that continuation of the program for the sake of continuation is not good management. It is not cost effective, and in many cases, it appears to be self-serving for the constituents of some of these programs.

We would like to look at the accomplishments of these programs and if the accomplishments are, in fact, good and positive, we would recommend continuation. Where there is not an alternative source of financing, we would like to recommend that the program continue with some form of Federal support.

We think we can do this without jeopardizing access or without jeopardizing equal opportunity for students. In terms of the categories of proposed actions you will find we are proposing that some programs be eliminated that were intended for one-time only funding.

Some are being proposed for elimination as a means to reduce or in some way alleviate, the overall Government budget deficit. Some are being proposed for reduction where we think there is an alternative, in terms of shared Federal, institutional and/or State financing.

Many of these programs have proven their value and have been incorporated or should be incorporated into an institution's operating plan and should be funded by that entity.

We believe that it is the responsibility of the executive branch to make Congress aware of instances where the intent of the program has been served, and the program no longer needs Federal support.

We think we can provide ways to find savings in the discretionary grant programs which help the budget deficit.

We also believe that we can share ideas about alternative financing schemes, where activities are very important, but where we think other sources of support can be found.

In terms of the higher education programs, we have asked in 1984 for about $204 million, which is about $188 million less than 1983.

SUPPLEMENTAL APPROPRIATION

We are also requesting a supplemental appropriation of about $4,800,000 for the institutional aid programs, and rescissions in fiscal year 1983 of about $68,900,000 for other programs.

I will briefly go over the programs we have. The institutional aid programs under title III are primarily for institutions that have a high proportion of low-income students who receive a great proportion of the financial aid dollars.

We are requesting that funding be continued for 1984 at the same level as in 1982, and that a $4,800,000 supplemental appropriation be provided in 1983.

We believe that we can provide about $45,700,000 in assistance to the historically black colleges and universities in fiscal year 1984.

MINORITY INSTITUTION SCIENCE IMPROVEMENT

The second program that we would stabilize at $4,800,000 is the minority institution science improvement program.

About 10 percent of all of the bachelor's degrees in math, science, and engineering are held by blacks, Hispanics, and native Americans, and only about 2 percent of the Ph. D's.

The purpose of this program is to try to strengthen that segment of our society and to try to provide ways that science and engineering education programs can be enhanced, strengthened, and supported for minority students in the science and engineering areas.

SPECIAL PROGRAMS FOR DISADVANTAGED STUDENTS

For the special programs for the disadvantaged, we are proposing new legislation that will be funded at $35 million. The new authority would allow talent search and upward bound outreach activities to be carried out under an expanded special services program.

We would not change the participant eligibility criteria, but we would establish new criteria for this program that would allow institutions with a high percentage of students from financially disadvantaged families to be eligible to receive Federal funding.

We would encourage institutions that have had these programs for a number of years, to begin now to pick up the programs and continue them.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

For the fund for the improvement of postsecondary education, we are asking for a rescission of $5,700,000 in fiscal year 1983 and a reduction in funding to $6 million for fiscal year 1984. We are attempting to target our projects at two important problems: telecommunications and technology and also community colleges to assist them to improve their retention rates for students.

Senator WEICKER. You were telling me that in the last budget, you were trying to get them out of the community colleges and into the other colleges?

Dr. ELMENDORF. No, sir. We're trying to establish some equity in the distribution of the student financial aid funds so that there is a balance between the community colleges and the higher-cost institutions.

The community colleges have a distinctive and important role to play in this society. And I would not in any way——

Senator WEICKER. I could not agree more. But that is not the way the dollars add up in the previous proposal.

Dr. ELMENDORF. I think we can submit also as part of the record that Mr. Bauer indicated a breakdown of how our proposals would affect 2-year public community colleges.

In terms of the other higher and continuing education programs, there are 13 other programs. Four of these programs, we feel, are no longer needed.

VETERANS COST OF INSTRUCTION PROGRAM

These would include the veterans cost of instruction program, the public service fellowships program, the Daniel James Memorial education program, and the Wayne Morse chair of law and politics.

OTHER PROGRAMS

There are seven other programs that we feel could continue with support from other sources. These include: international education, overseas and domestic programs, graduate and professional opportunities program, law school clinical experience program, legal training for the disadvantaged, Carl Albert Congressional Research Study Center, and the Robert Taft Institute of Government, as well as cooperative education.

And finally, in the areas of the annual interest subsidy and higher education facilities grant program, and the education and research overseas program, we would propose funding of $46,100,000 in these programs.

That concludes the summary of the higher education programs, and I would be pleased to answer questions that you might have.

FIPSE

Senator WEICKER. The fiscal year 1983 budget proposes a funding level of $11,900,000 for the fund for the improvement of postsecondary education, FIPSE, a program to stimulate innovation and improvement in postsecondary education.

Your rationale for the 1983 request extolls the benefits, saying that it plays a critical and cost-effective role in supporting improvements in higher education.

You also cited the fact that "Once fund projects demonstrate their success, they are continued to a great extent without Federal assistance."

You have since submitted a revised request for FIPSE that would result in a $5,700,000 rescission, a 50-percent reduction in FIPSE, which you so strongly supported in your original fiscal year 1983 request.

Maybe you would like to try to reconcile the rhetoric with the figures?

Dr. ELMENDORF. Yes, sir.

The high Federal deficit has forced us to take a serious look at our programs, no matter how successful they might be.

This is a successful program, and we would not take away from the successes it has had in the past. Nor diminish what we think can be achieved in the future.

For this particular program, we are asking for a $5,700,000 reduction in 1983. We are also asking to continue the program at $6 million in 1984.

The success of the program is quite highly touted in the American higher education community. Seventy percent of these projects that have been started for $50,000 to $75,000 have been carried on after Federal funding ceased.

We think that is commendable. We think that can be done in the future, and done without the necessity of having the first dollar be a Federal dollar.

We also believe that some of the continuation awards can be continued on the basis of a match that we would ask be put into the program.

Currently, about 40 percent of the funds for any of the projects submitted under the FIPSE program are already being matched by institution or agency dollars.

Senator WEICKER. What do you fellows do over there? After you make your budget proposals, OMB tells you what you can and cannot have.

Then you have to go back to the drawing board and figure out what you are going to give me in the way of rhetoric to defend lesser moneys?

I would find it far better if you just stated to me because of the economic necessities of life, you cut the program.

Is that right?

Dr. ELMENDORF. That was my first point. I should have stopped there. [Laughter.]

Senator WEICKER. Proposals for title III institutional aid, TRIO, and other higher educational programs in fiscal year 1984, would focus aid on institutions with predominantly minority involvements.

Yet it is estimated that 7 of 10 black students, and 9 out of 10 Hispanics are enrolled in institutions having a majority of nonminority students.

What is your rationale for focusing so much of the higher education budget on predominantly minority institutions, when most of the minority students attend nonminority institutions?

Dr. ELMENDORF. The institutional aid programs we feel are able to support institutions that have a high proportion of low-income and minority students.

One of the factors that is rather unique is that we know that most of the minority enrollment is in the 2-year public sector.

Two-year public institutions and private institutions do compete for and receive funds under the institutional aid program.

We find that one of the interesting characteristics of our institutional aid programs, particularly those that go to the historical black colleges and universities, is while they only enroll 20 percent of the minority students, they produce over 40 percent of all of the baccalaureate degrees among black students in this country.

We think that is a significant track record, and one that we would like to see continued, with the addition of a supplemental request of $4,800,000 in these programs.

Mr. KIMBERLING. If I could add that in the TRIO programs, we are not going to be proposing in the legislative package that will be sent to the authorizing committee that the funds be targeted on the basis of ethnicity of enrollment.

But rather, that funds be targeted to institutions serving a high percentage of students from low-income familes. We feel that this will include many institutions that enroll high portions of minority students within the universe.

But we would target it on the basis of income as derived from the student aid reports. We would look at a universe of about 1,000 institutions which enroll low-income nonminority students as well.

The documents that were originally submitted, to be very frank, were submitted with the haste of budget preparation and they do not reflect the legislative proposal that will come before the Congress.

Senator WEICKER. This administration consistently alleges that it supports both secondary education opportunities for minorities, and yet for 1983, you are proposing rescissions totaling $69 million, in various categorical programs for higher education, many of which are aimed at serving minority populations, such as TRIO, minus $30 million, graduate support fellowships for women and minorities, minus $10 million.

How do you explain those rescissions in light of the administration's goals stated here this morning?

Dr. ELMENDORF. I think that the rescissions are necessary to try to bring the budget into balance. Well, maybe I should stop there.

Senator WEICKER. All right. Stop.

Dr. ELMENDORF. We also feel that minority students are being protected in other areas.

Mr. Kimberling just gave you an example of the targeting of the money that we do have set aside for assurance that the minority students will be serviced in those program areas.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are other questions that we would like responses submitted for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TRIO

Question: What were the findings of the recent General Accounting Office (GAO) study of the Special Services for Disadvantaged Student (TRIO)?

Answer: The General Accounting Office in their recent study of the Special Services for Disadvantaged Students program found that: (1) The Department of Education (ED) does not have assurance that the Special Services for Disadvantaged Students program is achieving its goal of increasing the retention and graduation rates of disadvantaged postsecondary students; (2) Projects' objectives are not always consistent with the program's goal, and ED has not adequately monitored projects to determine whether the goal of the objectives have been met. Four of the 11 projects GAO visited did not have objectives concerning student retention rates or academic achievements; (3) To assess the performance of a project, ED relies primarily on site visits and project-prepared performance reports. GAO found, however, that the visits and reports did not provide adequate data to assess performance. In fiscal year 1980, ED made site visits to only 24 of the 557 grantees, during which, ED did not determine whether projects were meeting their objectives and did little follow-up to assure that any noted deficiencies were corrected. GAO did note instances where proposed objectives were not achieved, and there was no mention of this in ED's reports on visits to these sites; (4) Although ED requires projects to report annually on the status of their operations, the reports did not compare actual performance with proposed objectives. At the project visited, GAO noted several instances where objectives were not accomplished or measured and these were not reported in performance reports; and (5) The performance reports also do not provide information on the academic status of the Special Services students. Such information would be useful in assessing how well the program's retention and graduation goal is being met and in identifying projects whose methods have been successful in accomplishing the goal.

In addition, GAO made the following recommendation to the Secretary of Education: "to better determine whether the program goal and project objectives are being met, the Secretary should require proposals to contain objectives consistent with the program goal of increasing retention and graduation rates, (1) site visits to consider whether projects are accomplishing proposed objectives and (2) projects to report the status of all objectives in their performance reports."

Question: What steps have you taken to respond to any criticisms contained in that report?

Answer: The Secretary has sent a letter to the GAO and the appropriate committees of Congress in response to the GAO report entitled "Department of Education Uncertain About the Effectiveness of the Special Services Program." Specific comments on each of GAO's recommendations are presented below:

GAO recommendation: Require project proposals to contain measureable objectives consistent with the program goal.

ED said that it will instruct potential grantees, field readers, and ED program officers of the need for Special Services proposals to contain measurable objectives related to the program goal. The grantees' attainment of such objectives will be assessed during monitoring activities and when evaluating a grantee's prior experience in connection with the award of a new grant.

GAO recommendation: Project monitoring visits should determine whether projects are meeting proposed objectives.

ED said that program officers will be specifically instructed to assess the goal and objectives that impact most directly upon participant retention and graduation. If these objectives are not being met, or if it is impossible to validate performance data, the program officer will be required to make recommendations to correct the problems. The site visit report will document the program officer's findings and any required follow-up.

GAO recommendation: Require project performance reports to include information on the academic performance of participating students and the status of all proposed objectives.

ED said that it is developing a new Special Services project performance report. This new report will require specific data on the academic performance and progress of project participants. ED officials said they would use the report both as a project monitoring device and as a means for aggregating overall student performance, retention, and graduation data for the purpose of assessing the program goal.

Question: Do you concur with the findings?

Answer: The Department concurred with GAO's recommendations stating that a need exists to improve the means by which the project objectives and overall program goal of several aspects of the Special Services for Disadvantaged Students programs are being met.

However, ED did not agree that it does not know whether the Special Services for Disadvantaged Students program is achieving its goal. We indicated that there is substantial evidence that indicates the program is achieving the program goal. To support our contention we cited data from three sources. However, GAO does not believe that these sources provide ED with sufficient proof.

TITLE III

Your proposals for Title III--Institutional Aid, TRIO, and other higher education programs in FY 1984, would focus aid on institutions with predominantly minority enrollments. Yet it is estimated that seven of ten black students and nine out of ten Hispanics are enrolled in institutions having a majority of non-minority students.

Question: What is your rationale for focusing so much of the higher education budget on predominantly minority institutions when most minority students attend non-minority institutions?

Answer: While it is true that most minority students do not attend institutions which are predominantly minority, it is also true that there are institutions that do enroll high percentages of minority and disadvantaged students. Most of these institutions are also in need of assistance in order to adequately serve their students. That is why we are proposing to target funds on the basis of the percentage of low-income students which will include most of the predominantly minority institutions. We believe that this targeting will assure disadvantaged students a high quality of education and the special supportive services which are necessary for success in college.

Question: To what extent does you budget encourage minority students to attend institutions which do not have large minority populations?

Answer: Our higher education budget does not encourage minorities to attend any particular type of institutions. Instead, it recognizes the fact that minority and low-income students are enrolled in high numbers at a relatively small number of institutions. These institutions, because of the nature of their student body, have a more difficult time in providing high quality education and supportive services. By targeting funding to these institutions, we believe that we can more effectively meet the need of disadvantaged students attending these institutions.

If we look at the postsecondary education budget as a whole, you will see that we have attempted to provide low-income students a degree of choice in the colleges and universities they attend.

THE FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

Your FY 1983 budget proposed a level of $11.9 million for the Fund for the Improvement of Postsecondary Education (FIPSE) a program to stimulate innovation and improvement in postsecondary education. In your lengthy rationale for the 1983 request, you extolled the benefits of FIPSE, stating that it plays a "critical and cost-effective role" in supporting improvements in higher education. You also cited the fact that " ...once Fund projects demonstrate their success, they are continued to a great extent without Federal assistance." You have since submitted a revised request for FIPSE that would result in a $5.7 million rescission.

Question: Why are you now proposing a fifty percent reduction in FIPSE which you so strongly supported in your original FY 1983 request? Is this decision based purely on economics?

Answer: Our decision for our fiscal year 1983 revised request for FIPSE was not based solely on economics. We reviewed each program within the Department to determine whether there was an appropriate Federal role for each program. We also examined all of our programs to find ways to make them more cost-effective.

Upon examining closely the options open to us for the Fund, we found that we could continue to have the same impact with this program while reducing the cost to the Federal Government by requiring a matching of resources on the part of participating institutions. We believe that institutional commitment to a proposed project is critical to its success. By requiring a match from the host institution, we believe that the success rate--which is currently 77 percent--can be further enhanced.

Also by requiring an institutional match, funding for this program can be reduced without damaging it. We estimate that nearly as many grants will be able to be made at the reduced funding level with the matching requirement.

VETERANS COST OF INSTRUCTION

You are again proposing to eliminate the Veterans Cost of Instruction program which Congress has been reducing over the last few years as the number of Vietnam-Era veterans in higher education decreases.

Question: To what extent has the program outlived its effectiveness?

Answer: We do believe this program has outlived its intended purpose. The program was designed to address the special adjustment problems of Vietnam-era veterans and the problems institutions would have in developing programs to meet their needs. A separate program is no longer necessary to assist the small number of Vietnam-era veterans needing services on college campuses. In 1976, enrollment of veterans peaked at nearly one million veterans. Since that time the number has declined significantly, and the institutions in which they are enrolled are able to provide needed services without Federal support.

Question: Specifically, how many Vietnam-Era veterans are enrolled in postsecondary institutions?

Answer: According to "Data on Vietnam-Era Veterans", published by the Veterans Administration, Office of Reports and Statistics, there are as of September 30, 1981, 297,000 Vietnam-Era Veterans enrolled in institutions of postsecondary education.

We are estimating that this number will drop to approximately 200,000 eligible veterans that will be enrolled in postsecondary institutions during fiscal year 1983.

Question: Specifically, what other Federal and non-Federal programs are available to these veterans on campus?

Answer: The veterans enrolled in our nation's colleges and universities receive the same kinds of services which other students receive. These services include many of the same kinds of services as are currently provided under the Veterans Cost of Instruction program such as personal and academic counseling, career counseling, assistance in applying for financial aid, including GI educational benefits, and tutoring.

In addition, these veterans are eligible to receive the full range of services provided by the Veterans Administration.

Question: What is the role of the Veterans Administration in serving the veterans?

Answer: The Veterans' Administration has the principal responsibility of providing the needed services to veterans. This includes providing direct compensation and other benefits to which they are entitled.

COOPERATIVE EDUCATION

The Cooperative Education program integrates student work experience with academic studies in their field of study. Yet you are proposing to eliminate this $14.4 million higher education program by a rescission in FY 1983.

Question: Why are you proposing to eliminate the Cooperative Education program which seems to be so much in line with this Administration's commitment to combining meaningful work experience with academic studies?

Answer: The Cooperative Education program has proven the value of this form of educational methodology which integrates work experience into the academic curriculum. In 1970, only 195 institutions of higher education had cooperative education programs. By 1979, this number had increased to 1,049. Nearly 70 percent of the current cooperative education programs were supported at one time with Federal funds. More importantly, most of these institutions continued these programs after Federal support was withdrawn. Currently, less than 20 percent of all institutions having cooperative education receive Federal funds for the Administration of such programs. Based on this evidence, we are certain that cooperative education programs will continue and expand without additional Federal support.

The many benefits of cooperative education are well known. In this era of declining enrollments, cooperative education will play an important role for institutions trying to compete to maintain their enrollment. This will provide sufficient motivation to institutions to continue, establish and expand cooperative education programs.

Question: Your justification explains that, "this rescission would eliminate approximately 200 grant awards serving approximately 80,000 participants. Most of these projects are expected to continue." On what basis do you expect that these projects will continue to serve program participants without Federal funds?

Answer: We are very certain that these programs will continue without additional Federal support. The experience which we have had over the years with other institutions which have continued to offer cooperative education when Federal funds are withdrawn has shown that these institutions have found cooperative education to be valuable to the institutions and their students. Currently, Title VIII funds are used to support less than 20 percent of all cooperative education programs in the country.

We believe postsecondary institutions will continue cooperative education programs without Federal support because of its popularity with the students enrolled in the program, the institutions, and the employers that employ the cooperative education student.

INTERNATIONAL EDUCATION - FULBRIGHT-HAYS

Since enactment of the National Defense Education Act in 1958, the Federal Government supported educational specialists in such disciplines as foreign language and international studies. In the 1979 report of the "President's Commission on Foreign Languages and International Studies", it was concluded that there is a "serious deterioration" in the nation's foreign language and research capacity and that our incompetence in these areas is "scandalous."

Question: In your opinion, are international education and foreign language proficiency still a Federal priority?

Answer: The programs supported by the Department do not address the issue of foreign language proficiency. These programs, on the whole, are targeted at training specialists, and while some components--such as Group Projects abroad--do address the issue indirectly through teacher training, the impact on general language proficiency is minimal. A program designed to encourage competence in other languages would be quite different from the programs funded under Title VI of the Higher Education Act and the Mutual Educational and Cultural Exchange Act of 1961.

We believe, however, that excellence in education--including quality instruction in foreign languages--is a National concern. We also believe that the Department can better address the problem by publicizing the need for foreign competence on part of its overall effort to improve excellence in education.

Question: How important are these areas to our national security?

Answer: We believe that knowledge of foreign languages and other cultures is critical for our National security particularly among persons employed by the Departments of State and Defense, and the CIA. These agencies make direct use of the National Resource Centers and other sources, including their own language institutes, to acquire the trained personnel which they need to conduct foreign affairs. These agencies are far more knowledgeable about the language skills research and other cultural study which are needed for National security purposes.

Question: In a world ever growing in interdependence and the need for cooperation in areas such as business, economics, foreign policy and defense, why are you proposing to completely eliminate from the Department's budget Foreign Language and International Education, both domestic and the Fulbright program, in FY 1984?

Answer: We believe that adequate support for these programs can be found without further Federal funding being provided. There are a number of private organizations and businesses which have an interest in improving the level of understanding of other nations and cultures. We believe that these organizations should bear a greater share of the responsibility for supporting the kinds of activity currently supported by these programs.

Application of foreign languages which are used in areas of National defense, commerce, and foreign policy--the Department of State and the CIA are in a better position than the Department of Education to assess what should be funded for national security purposes. It is also my understanding that the CIA and other Federal agencies such as Department of Defense and State utilize their own language facilities to train their own employees in foreign language areas when there are critical shortages.

GRADUATE/PROFESSIONAL OPPORTUNITIES PROGRAM

The Graduate/Professional Educational Opportunities program awards fellowships to minorities and women in fields, in which they have traditionally been unrepresented, i.e., physical sciencies, engineering, business, accounting, forestry, computer sciences, etc.

Question: If the Graduate/Professional Educational Opportunities program were not funded in FY 1984, as you propose, what is the likelihood that either State, institution, or private sector funding sources would be available to replace the lost Federal support?

Answer: It is likely that those who would have been aided will be able to gain support from other sources.

To aid in this effort, the Department annually publishes a list of opportunities available to women and minorities. This list identifies potential sources of financial aid available from private sources and States. Federal assistance is also available to graduate students through the Work-Study program and the National Direct Student Loan program. In addition, through the Guaranteed Student Loan program's Auxiliary Loan Assistance, graduate students will be eligible for loans of up to $8,000 annually.

Question: What other Federal programs, beyond the Graduate/Professional Educational Opportunities (GPOP) program, are specifically intended to provide fellowship support for minorities and women in academic and professional fields in which they have been traditionally underrepresented?

Answer: The purpose of the Fellowships for Graduate and Professional Study program (GPOP) is to provide access for minorities and women who are traditionally underrepresented in academic and professional fields. A wide variety of non-Federal sources of financial support are available for minorities and women pursuing graduate study, especially in engineering and science. In addition, Federal financial assistance is available to graduate students through the Work-Study program and the National Direct Student Loan program. The National Science Foundation, under its minority graduate fellowship programs, also awards fellowships to minority students in science, mathematics and engineering. The awards provide annual stipends of $6,900, plus funds for tuition and fees for three years of graduate study. This year 50 new grants and 147 renewed grants were awarded.

The Administration's proposed bill for our math and science initiative focuses on the growing shortage of qualified science and mathematics teachers at the secondary level in grades 9 through 12. Fellowships under the GPOP program generally are awarded to those pursuing a master's or doctorate degree and in most cases would not be interested in teaching at the secondary school level. However, these students may be eligible for training under this initiative.

INTEREST SUBSIDY GRANTS

Question: How many of the private market loans supported by interest subsidy grants for higher education facilities construction have been paid in full? Defaulted?

Answer: Our records indicate that to date fifty-three (53) private market loans supported by interest subsidy grants have been paid in full.

To our knowledge, none of the private market loans supported by interest subsidy grants have defaulted.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

HIGHER EDUCATION - UPWARD BOUND

Senator Proxmire: What percentage of the students who receive Upward Bound support earn a college degree?

Answer: In a recent evaluation study of Upward Bound by the Research Triangle Institute, the data shows that about 91 percent of the typical Upward Bound participants entered some type of postsecondary institution, while 72 percent of comparable non-participants entered.

The Department is in the process of changing the reporting requirements under this program. It is hoped that this change will provide us with annual data on Upward Bound participants rather than having to rely on periodic evaluations.

HIGHER EDUCATION - INSTITUTIONAL AID

Senator Proxmire: An important objective of your aid to disadvantaged institutions program is "for participating institutions to increase their self-sufficiency and graduate from Title III programs." How successful have you been in meeting this objective? How many institutions have graduated from Title III programs in each of the past five years?

Answer: Self-sufficiency was introduced as an explicit objective of the Institutional Aid programs (Title III) in the Education Amendments of 1980. The requirement was implemented for the first time in fiscal year 1982, and so, it is too early to measure the extent to which this objective has been met.

Since this was not a requirement prior to 1982, little data has been collected on institutions which have ceased to receive support or which would enable a determination of reasons for their no longer seeking such support. The information that is available is on those few institutions which received support but which have subsequently closed. Using data on this small percentage of assisted, institutions does not provide a fair assessment of the program's effectiveness. It should be noted, that in fiscal year 1982, more than 87 percent of the funds awarded were for non-renewable grants. This is an indication of the Department's commitment to fulfill the intent of Congress to promote institutional self-sufficiency.

Senator Proxmire: What percentage of the schools receiving institutional aid have not been accredited for five academic years?

Answer: Approximately one percent of the 455 institutions participating in the Institutional Aid program have not been accredited or preaccredited for the last five years.

Senator Proxmire: What portion of these non-accredited schools have received a waiver because they are serving rural or minority populations?

Answer: All six of the institutions which received waivers in fiscal year 1982 for non-accreditation serve rural or minority populations.

Senator Proxmire: What portion of the unaccredited schools that have received institutional assistance over the past five years because they were making reasonable progress toward accreditation have become accredited?

Answer: The Institutional Aid programs have been reconstructed into a new program and fiscal year 1982 was the first year of operation under the new legislation. The requirement that institutions be making reasonable progress toward receiving accreditation is included in the statute and has been interpreted to mean that a institution must have pre-accredited status with a nationally recognized accrediting agency. We believe that such a status is sufficient evidence of the quality and integrity of the institution. While we are concerned that these institutions receive full accredited status, no data has yet been collected under the new program which has tracked institutions' success in receiving accreditation.

Senator Proxmire: Several months ago, [illegible] report on the Department's policies and procedures for monitoring the Special Services for Disadvantaged Students program. The report raised some substantial questions regarding the Department's methodology for assessing this program. Has the Department implemented all of the recommendations made by GAO?

Answer: The Department is in the process of implementing the recommendations made by GAO. The GAO study states that the Department does not have assurances that the Special Services for Disadvantaged Students program is achieving its goal of increasing the retention and graduation rates of disadvantaged postsecondary students.

Senator Proxmire: Can you give us a rundown on these recommendations and what action is planned?

Answer: The Secretary has sent a letter to the GAO and the appropriate committees of Congress in response to the GAO report entitled "Department of Education Uncertain About the Effectiveness of the Special Services Program." Specific comments on each of GAO's recommendations are presented below:

GAO recommendation: Require project proposals to contain measureable objectives consistent with the program goal.

ED said that it will instruct potential grantees, field readers, and ED program officers of the need for Special Services proposals to contain measurable objectives related to the program goal. The grantees' attainment of such objectives will be assessed during monitoring activities and when evaluating a grantee's prior experience in connection with the award of a new grant.

GAO recommendation: Project monitoring visits should determine whether projects are meeting proposed objectives.

ED said that program officers will be specifically instructed to assess the goal and objectives that impact most directly upon participant retention and graduation. If these objectives are not being met, or if it is impossible to validate performance data, the program officer will be required to make recommendations to correct the problems. The site visit report will document the program officer's findings and any required follow-up.

GAO recommendation: Require project performance reports to include information on the academic performance of participating students and the status of all proposed objectives.

ED said that it is developing a new Special Services project performance report. This new report will require specific data on the academic performance and progress of project participants. ED officials said they would use the report both as a project monitoring device and as a means for aggregating overall student performance, retention, and graduation data for the purpose of assessing the program goal.

HIGHER EDUCATION - TALENT SEARCH

Senator Proxmire: What proportion of Talent Search recipients actually enter college and what percentage of those students graduate?

Answer: Of the 200,611 students served in 1981-82, 74,790 of them were enrolled

Services under the Talent Search program are provided from seventh grade on, so that, in any year only a small percentage are eligible to enter postsecondary institutions. No data is available on how many students actually graduate from college at this time.

INTERNATIONAL EDUCATION AND FOREIGN LANGUAGE STUDIES - OVERSEAS PROGRAMS

Senator Proxmire: You plan to close out your International Education and Foreign Language Studies program in fiscal year 1984. I note that your overseas program obligated $770,000 in 1982 for special bilateral projects designed to improve our capacity for teaching the languages and cultures of those countries with which bilateral agreements are signed.

Given that goal, why do you support exchanges of vocational and technical education specialists and educational administrators? How do they improve the teaching of foreign languages and cultures?

Answer: We do not send vocational and technical education specialists and administrators to other countries with which we have bilateral arrangements, but these countries--most notably China--do send such specialists to the United States to study our educational system.

While our priority is to improve the skills of our instructors who teach other languages and cultures, we also recognize that other countries have different educational priorities than we do. For example, China, has identified a need to improve technical education in their country and believes that our community college system has valuable information which can be used in improving their technical education. These agreements are reciprocal and the program is designed to meet the needs of the participating countries.

HIGHER EDUCATION - SCIENCE IMPROVEMENT PROGRAM

Senator Proxmire: You are requesting $4.8 million for the Science Improvement program in fiscal year 1984. These funds are used to purchase equipment, develop curricula materials and train faculty. On page 98 of your justifications you cite a 1979 evaluation that concluded the program was successful but the study produced no data regarding the program's impact on the actual production of science degrees. Have you taken any steps over the last three years to acquire such data? If not, why not?

Answer: It is difficult to assess the impact of this program on the production of degrees awarded to minority students in science and engineering. This program is designed to build institutional capacity in scientific research and instruction. It is not a fellowship or a grant program in which the students receive funds or special supportive services directly. Awards are made directly to the institutions.

Inasmuch as students benefit indirectly from this program, it is not possible to draw a causal relationship between this program and any particular student(s) receiving degrees in science and engineering. Certain data, however, are encouraging. In 1976, Blacks received 2 percent of the degrees awarded in mathematics. By 1978, this [illegible]

[illegible] been noted among Blacks receiving degrees in the biological sciences and in engineering. The picture for Hispanics in science, engineering and mathematics, however, had decreased between 1976 and 1978. The decrease, while not statistically significant, is very disturbing.

EDUCATIONAL OPPORTUNITY CENTERS

Senator Proxmire: What percentage of those students participating in Educational Opportunity Centers go on to a postsecondary educational institution?

Answer: Of the 127,198 students served in EOC in 1981-82, 34,145 were placed in postsecondary educational institutions.

INTERNATIONAL EDUCATION AND FOREIGN LANGUAGE STUDIES - OVERSEAS PROGRAMS

Senator Proxmire: How much bilateral project money will you spend in 1983 for exchanges involving vocational and technical education specialists and educational administrators?

Answer: None of the funds for bilateral projects will be used for exchanges of U.S. citizens who are vocational or technical education specialists and education administrators. The other country participating in the exchange, such as China, may choose to send specialists in technical and vocational education.

This program is designed to meet the mutual needs of the two participating countries. While our need is for improved language instruction and study, the other Nation may have a different need which can be addressed under the terms of the bilateral agreement.

HIGHER EDUCATION

Senator Chiles: Your justification mentions how very successful the projects funded by the Fund for the Improvement of Postsecondary Education have been. There certainly is strong evidence that the local initiatives supported by FIPSE are strong and innovative, such as Elderhostel.

Why, then, are you proposing a $5 million rescission, and funding at only $6 million next year, a little more than half of the current appropriation?

Answer: We reviewed each program within the Department to determine whether there was an appropriate Federal role and whether existing programs should be continued. We also examined all of our programs to find ways to make them more cost-effective.

Upon examining closely the options open to us for the Fund, we found that we could continue to have the same impact with this program while reducing the cost to the Federal Government by requiring a matching of resources on the part of participating institutions. We believe that institutional commitment to a proposed project is critical to its success. By requiring a match from the host institution, we believe that the success rate--which is currently 77 percent--can be further enhanced.

Also by requiring an institutional match, Federal funding for this program can be reduced and at the same time the Fund can focus on various issues important to postsecondary institutions. We estimate that nearly as many grants will be able to be made at the reduced funding level with the matching requirement.

Senator Chiles: TRIO is another set of programs where your justification notes the success and value of the Federal support. Yet you propose nearly a $25 million rescission for 1983, and then to cut the program by over $90 million.

What's this "new initiative" that you request $35 million for to replace TRIO, and how is it going to maintain the gains we've made with TRIO?

Answer: The details of our legislative proposal will be transmitted to the Congress in the very near future. The core of our proposal is to target support on the postsecondary institutions which enroll high percentages of low-income students. In addition, we are proposing that the Congress expand the services which may be provided under the special services program to include some of the outreach activities currently supported under the upward bound and talent search authorities. This will allow the individual institutions flexibility in choosing the kinds of services which may be provided under the program to meet the most pressing needs of their community. We expect that between 80,000 and 120,000 students will be able to be served under our proposal.

Senator Chiles: You propose rescinding the $14 million for cooperative education. How do you justify that in light of the need to give more students experience in the type of career they will be pursuing?

You've requested additional funds for college work-study a worthwhile program, yet sometimes accused of being "make-work". Wouldn't it make better sense to encourage programs like cooperative education where the work relates to the student's field of endeavor?

Answer: College Work-Study does not encourage institutions to "make-work" but permits them to undertake valuable activities which students can earn money to use toward their education costs. Federal support for cooperative education has been available since 1968. Initially, the program was designed to stimulate institutions to begin their own programs. The concept has been demonstrated adequately and, as evidenced by the number of participating institutions, accepted very positively. Because of its high level of acceptance both with postsecondary institutions and private employers, we believe institutions will continue to provide these opportunities without Federal assistance and they will be quite successful in generating private sector support.

We also believe postsecondary institutions will continue cooperative education programs without Federal support because of its popularity with the students enrolled in the program, the institutions, and the employers that employ the cooperative education student.

Currently, more than 800 institutions of higher education operate cooperative education programs without any Federal support. More than 96,000 employers employ the more than 190,000 students that participate in cooperative education programs.

On the average these students earn $5,200 a year. No Federal funds are used to pay any part of the salary of a cooperative education student. These employers currently contribute an estimated one billion dollars to the support of cooperative education as reflected through the earnings paid to students. It seems a very small price for the institution of higher education to pay to provide the administrative costs associated with the program in light of the return which comes to the host institutions in the form of tuition and fees generated by the private sector employment of students.

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 16, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

DEPARTMENT OF EDUCATION

SPECIAL INSTITUTIONS

STATEMENTS OF:

DR. CARSON Y. NOLAN, PRESIDENT, AMERICAN PRINTING HOUSE FOR THE BLIND

DR. WILLIAM E. CASTLE, DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

DR. EDWARD C. MERRILL, JR., PRESIDENT, GALLAUDET COLLEGE

DR. JAMES E. CHEEK, PRESIDENT, HOWARD UNIVERSITY

ACCOMPANIED BY:

THOMAS P. SKELLY, ACTING DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENTS

Senator WEICKER. Today we begin our fiscal year 1984 hearing on the budget request for the Department of Education programs.

We have three general areas to cover.

The special institutions, which are the American Printing House for the Blind, the National Technical Institute for the Deaf, Gallaudet College, and Howard University. Next, the combined account for departmental management. And last, college housing loans.

We will hear, first, from witnesses representing the four special institutions and Mr. Thomas Skelly from the Department of Education.

Mr. Skelly, it's a pleasure having you here.

And if you would introduce those that appear with you, their entire statements will be presented in the record at this point.

And we then will proceed any way you deem fit.

[The statements follow:]

STATEMENT OF CARSON Y. NOLAN

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in the education of blind children in special schools for the blind. In 1879 the Congress passed the Act to Promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students throughout the United States, its territories, and possessions below the college level.

EDUCATIONAL MATERIALS

The request of $5,070,000 is an increase of $410,000 over fiscal year 1983 and will supply an estimated 41,800 students with educational materials. This is an increase of 3,400 students over those served in fiscal year 1983. The group of 41,800 students includes 37,200 enrolled in classes grade 12 and below and 4,600 students enrolled in rehabilitation programs. The resulting per capita allotment in fiscal year 1984 will be $121.29.

The proposed amendment of the legislation to require a 10 percent contribution from nonfederal sources would reduce the Federal funds for educational materials by $550,000 or by 10.8 percent. The resulting amount, $4,520,000 would provide a Federal per capita of $108.13.

ADVISORY COMMITTEES

The request of $140,000 for expenses for Advisory Committees is an increase of $50,000 over the amount awarded in fiscal year 1983. This budget category covers the expenses of the 2 Advisory Committees to determine what books will be published and what new materials will be developed. More importantly, it covers the cost of informing teachers and administrators of what materials are available, how they may be obtained, and how they are to be used as well as the cost of the annual census of blind students conducted in January. Costs of APH for all these activities were calculated to be $148,000 in fiscal year 1982.

EDUCATIONAL AND TECHNICAL RESEARCH

The request of $290,000 for educational and technical research is an increase of $40,000 over the amount allocated in 1983. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, mathematics, science, and for special groups such as the multihandicapped blind. The additional sum of $40,000 will be used to initiate activities to develop special materials for the growing number of students in rehabilitation programs who are registering for materials under the act.

The American Printing House continues to serve a growing and complex group of blind students with many different kinds of educational materials. As of January 1982, 28,033 legally blind students were registered through state departments of education, 7,056 were enrolled in residential schools, and 3,160 attended rehabilitation programs. Among these, 5,737 read braille, 13,121 read large type, and 18,260 used other media for learning. Of the total, 2,054 were deaf-blind.

New educational materials and teaching aids are developed and produced each year to keep educational programs for these students current. In addition, reprints and reruns of older materials are made as required. The American Printing House maintains a finished goods inventory of $3,800,000 to insure timely delivery of special materials to educational programs.

The Printing House has made progress in several areas which should improve its ability to promote the education of the blind. Some of these were the following:

1. Upgraded equipment for printing large type textbooks through acquisition of a new graphic camera, three new camera platemakers, a better system to convert multicolored graphics to black and white, and a new Perfector offset press.

2. Procedures to provide information to teachers on material availability and use were reviewed and revised to improve their quality and cost effectiveness.

3. Continued the development of the only scientifically designed primary braille reading curriculum: Patterns.

4. Increased efforts to provide appropriate materials for older blind students enrolled in rehabilitation programs.

5. Completed development of several sets of materials for the education of severely multihandicapped blind students.

Steady progress continued to be made in meeting the educational needs of blind children. Recent progress is described in the 1982 Annual Report of the American Printing House, copies of which I am leaving for the Committee.

AUTHORIZATION LIMITATION

The budget request for 1984 exceeds the authorization ceiling for the American Printing House for the Blind in the Omnibus Reconciliation Act of 1981. The Agency has informed me that legislation to raise the ceiling is being developed and will be submitted to the Congress.

Mr. Chairman, I will be glad to answer any questions about this request.

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present the 1984 request for the National Technical Institute for the Deaf.

As you know, the National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. We are also involved in training professional staff to serve the Nation's deaf population and are conducting research into educational achievement, communications, personal/social instruction, economic and employment aspects of deafness. The 1984 appropriation request for the National Technical Institute for the Deaf is $28,000,000. This represents an increase of $1,700,000 above the 1983 level in the Continuing Resolution and will support academic programs in the areas of career development, research, training, and information dissemination.

The specifics of the fiscal year 1984 request follow:

Operations

The entire appropriation of $28,000,000 is for operations and represents an increase of $1,700,000. All of the increase is for program costs associated with 250 additional students coming to NTID as a direct result of the 1964-65 rubella epidemic. Built-in cost increases of $1,110,300 have been totally offset by management efficiencies. Additionally the $1,700,000 increase for the rubella epidemic students was kept at a minimum by redirecting the efforts of many of our employees from research and support activities to actual instruction.

Career Development

The education provided at the National Technical Institute for the Deaf transcends what is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 98 percent of our graduates who seek employment have been placed in jobs within six months of their graduation. These same people pay back to the Federal Government in the form of taxes over 400 percent of the original investment in their education.

Research

NTID will continue to support applied research in the technical and general education of the deaf population but at a reduced level until the "rubella bulge" subsidies. Research is conducted in the areas of speech, audiology, manual communication visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision-making, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus major effort on reporting of NTID proven products, procedures, and systems with broad-based impact on other organizations with deaf education responsibilities.

The primary focus of NTID's research efforts have not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the education of the deaf. In that report, it was suggested that the

> "...unsatisfactory state of education of the deaf cannot be attributed to any lack of dedication of those who teach and work with the deaf. The basic explanation lies in our failure to launch an aggressive assault on some of the basic problems of language learning of the deaf through experience or well-planned and adequately supported research, and in our failure to develop more systematic and adequate programs for educating the deaf at all levels."

In the forseeable future, complete solutions to some of these age-old problems are perhaps beyond the scope of NTID's research efforts, but NTID has already received a number of benefits from its research efforts and as a result, students are leaving NTID better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will continue to be disseminated through workshops and publications.

Training

Continued emphasis will be placed on training programs for professionals, graduates, interns, counselors, job placement specialists, and interpreters. In 1982, NTID began an Associate Degree program for interpreters which has been expanded from 15 to 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to us for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Pre-service training for teachers of the deaf will continue in conjunction with the University of Rochester and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

NTID will improve deaf education nationally by sharing educational techniques and processes, research findings, and training techniques.

Among other products for dissemination, the award winning quarterly publication, Focus, is currently distributed to more than 17,000 professionals in deaf education, business, and government providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also our Product Catalogue, featuring NTID produced research and teaching materials, has received an outstanding response.

In summary, the 1984 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society.

This appropriation level coupled with the $2,729,000 for construction in fiscal year 1982 will allow NTID to prepare for 600 new students in the fall of 1983. This is 250 more than the 350 students we normally except in a given year. The students are really out there and they are applying to NTID in record numbers! As of the end of February we have received nearly 800 applications which is 350 more than we received last year at this time. This will be a challenging few years for NTID, but with your support I am sure we can make this a rewarding experience for all involved; and the best thing is that most of these young deaf people will be served.

Authorization Limitation

The budget request for 1984 exceeds the authorization ceiling for the National Technical Institute for the Deaf in the Omnibus Reconciliation Act of 1981. The Agency has informed me that legislation to raise the ceiling is being developed and will be submitted to the Congress.

Mr. Chairman, I will be pleased to answer any questions you may have.

STATEMENT OF EDWARD C. MERRILL, JR.

I am pleased to present to this Committee the fiscal year 1984 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The President's 1984 budget requests $55,590,000 for these three programs.

The fiscal year 1984 request of $55,590,000 is for operations, and is an increase of $3,590,000 over fiscal year 1983. This request will support $3,225,000 in built-in increases, including $2,451,000 for faculty and staff compensation increases, and $674,000 to meet increased utility costs. The program increases in the fiscal year 1984 budget request are limited to $1,095,000 for College programs to serve increased enrollments due to the 1964-65 rubella epidemic. These requested increases of $4,320,000 will be partially offset by a decrease in program areas at the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School producing a net increase of $3,590,000.

In the fall of fiscal year 1984, Gallaudet College expects to enroll the second wave of students born during the tragic rubella epidemic of 1964-65. Research has documented that in an ordinary year approximately 3,000 deaf children are born in the United States. As a result of the rubella epidemic among pregnant women, approxi-mately 9,000 deaf children were born in 1964, and 6,000 deaf children were born in 1965, representing a tripling and doubling in those two years. This large group of deaf individuals is approaching college age. Thus, while there were about 25,000 deaf persons aged 18-25 in 1980, presently there are almost 40,000 deaf persons in this age group.

The College

The level of funding requested will enable the College to meet the educational needs associated with an increased rubella--related undergraduate enrollment of 1,700. The request includes $487,000 for new faculty needed to maintain a student/faculty ratio of 7.5:1 and necessary support services such as tutorial services, interpreting services and special services for students with multiple handicaps; $117,000 for academic support such as computer assisted instruction and instructional epuipment and $191,000 for student support services such as health services and intramural programs at the Northwest Campus. In the area of Public Services, the College is requesting an increase of $79,000 to serve 1,000 additional participants at the extension centers in other parts of the country and 1,500 additional participants in a variety of other Public Service programs. This increase is due to the increased number of young deaf adults due to the rubella epidemic. The request also includes $221,000 for increased security, maintenance and other campus services required by a larger student body.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

There are no program increases requested for MSSD and KDES. The enrollments in these schools will remain at fiscal year 1982 levels. Many programs may be reduced below fiscal year 1982 service levels in order to provide a modest compensation increase to faculty and staff.

In summary, the requested increase, coupled with increased efforts to attract non-federal funds will enable Gallaudet to serve 300 addi-tional students who will be seeking admission to the College in fiscal year 1984 as well as 2,500 additional Public Service participants. All programs, other than those serving the epidemic-related undergraduate enrollment, will continue to operate at or below the fiscal year 1983 level.

Authorization Limitation

The budget request for 1984 exceeds the authorization ceiling for Gallaudet College in the Omnibus Budget Reconciliation Act of 1981. The Department of Education has informed me that legislation to raise the ceiling is being developed and will be submitted to the Congress.

STATEMENT OF JAMES E. CHEEK

On behalf of the Board of Trustees of Howard University, its faculty, staff and students, I am pleased to present to you the fiscal year 1984 budget request for Howard University.

The total request of $159,720,000 for Howard University is an increase of $14,520,000 over fiscal year 1983. Of the $159,720,000, $136,124,000 is for the academic program, $22,106,000 is for the Howard University Hospital and $1,490,000 is for construction.

Academic Program

An increase of $13,030,000 is requested for the academic program. This increase provides $9,103,000 for built-in increases. These built-in increases include: $4,953,000 for faculty salary increases averaging ten percent; $2,650,000 for non-faculty salary increases averaging five percent; $500,000 for periodic step increases and promotions for non-academic personnel and $1,000,000 for partial support of the retirement program. These salary increases are necessary to attract and retain competent faculty and staff and at the same time allow the University to remain reasonably competitive.

The remaining $3,927,000 for the academic program supports program improvements. This includes: $1,000,000 for the University Library System; $1,000,000 for the School of Business and Public Administration; $1,000,000 for the School of Communications; $500,000 for the Graduate School of Arts and Sciences and $427,000 for the College of Dentistry.

These funds will enable the University to correct many of its accreditation deficiencies by providing additional equipment, supplies and reading materials for each of the schools and colleges and provide needed reading materials for the University Library System. The academic program improvements are related specifically to accreditation deficiencies. This request will enable the University to continue in its ongoing efforts of eliminating accreditation deficiencies.

Howard University Hospital

The request for Howard University Hospital is $22,106,000 which is the same amount as fiscal year 1983. Additional funds for the operation of the hospital are not being requested at this time. The University proposes to fund the increased cost of operation from patient fees and other private sources of revenue derived from services.

Construction

The $1,490,000 request for the construction component represents an increase, over fiscal year 1983, and will support two construction projects. One of which is the College of Medicine Building which currently has a major structure deficiency in a wall that must be replaced if the building is to be used in the future. For this, $700,000 is requested to restore the facility to a safe useable state. The remaining $790,000 will enable the University to continue the Freedmen's Square Renovation Project. This is an ongoing project which is only partially completed. To date, we have made major progress.

Mr. Chairman, I am prepared to answer specific questions concerning the 1984 request and would like to thank the Committee for its past assistance in the continued development of Howard University.

BIOGRAPHY OF CARSON Y. NOLAN

NAME	:	Carson Y. Nolan
POSITION	:	President American Printing House for the Blind
BIRTHPLACE AND DATE	:	Indianapolis, Indiana - October 21, 1925

EDUCATION : University of Kentucky - BS and MA, 1950
Washington University - PhD, 1953

EXPERIENCE :

PRESENT : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979 : Vice President and General Manager
American Printing House for the Blind
1958-1976 : Director, Department of Educational Research
American Printing House for the Blind
1960-1972 : Adjunct Associate Professor, Department of Psychology, University of Louisville
1956-1958 : Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-1956 : Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas

ASSOCIATION MEMBERSHIPS : American Association of Workers for the Blind
Association of Education of the Visually Handicapped
Council Exceptional Children

PUBLICATIONS: Over 100 professional monographs, chapters, and articles

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Biography of William E. Castle

NAME : William E. Castle

POSITION : Vice President - Rochester Institute of Technology
Director - National Technical Institute for the Deaf

BIRTHPLACE AND DATE : Watertown, South Dakota; September 5, 1929

EDUCATION : Northern State Teacher College, 1951, B.S.
State University of Iowa, 1958, M.A.
Stanford University, 1963, Ph.D.

EXPERIENCE :

PRESENT : Vice President - RIT, Director - NTID

1969 - 1979: Dean and Director, NTID
1968 - 1969: Assistant to the Vice President and Director of Division of Instructional Affairs, National Technical Institute for the Deaf
1965 - 1968: Associate Secretary for Research and Scientific Affairs, American Speech and Hearing Association
1963 - 1965: Assistant Professor, Speech Pathology and Audiology, University of Virginia

1961 - 1963:	Instructor, English, Experimental Phonetics Lab, Stanford University
1961 - 1961:	Instructor, Speech Correction, Central Washington State College
1960 - 1961:	Instructor, English, Experimental Phonetics Lab, Stanford University
1958 - 1960:	Instructor, Speech Correction, St. Cloud State College
1956 - 1956:	Customers Broker, Frank P. Dow Company
1952 - 1956:	Communications Specialist, United States Air Force
1951 - 1952:	Secondary Teacher, English and Speech, Faulkton High School

ASSOCIATION MEMBERSHIPS:

Academy of Rehabilitative Audiology
Acoustical Society of America
Alexander Graham Bell Association for the Deaf, Inc. (Life Membership)
American Association for the Advancement of Science
American Association of Community and Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
Council on Education of the Deaf
Empire State Association of the Deaf
GeVa Theatre
International Association of Parents of the Deaf, Inc.
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society
National Association of the Deaf
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech and Hearing Association
Opera Theatre of Rochester
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS:

"Effects of Selective Narrow-Band Filtering on the Perception of Normal Listeners of Harvard PB-50 Word Lists", Journal of Speech and Hearing Association of Virginia, Fall, 1963, 12-21, Castle, W. E.

"The Meaning of a Technical Education for Deaf Youth", The Deaf American, February, 1970, Castle, W. E.

"Uses of Technology to Improve the Communication Skills of the Deaf", Presented to the International Congress on Education of the Dean in Tokyo, Japan, August, 1975, Castle, W. E., Johnson, D. D. and Subtelny, J. D.

"Communication Skills Improvement of Deaf Adults: New Hope for Families with Deaf Members" (with K. E. Crandall), Proceedings of the V World Congress on Deafness in Copenhagen, Denmark, August, 1977.

"NTID - Something New in the Education of the Hearing Impaired," Proceedings of the XI World Congress on Otorhinolaryngology, Buenos Aires, Argentina, March, 1977.

BIOGRAPHY OF EDWARD C. MERRILL, JR.

NAME	: Edward C. Merrill, Jr.
POSITION	: President, Gallaudet College
BIRTHPLACE AND DATE	: Asheville, North Carolina; January 29, 1920
EDUCATION	: University of North Carolina, 1942, B.A. University of Tennessee, 1948, M.S. George Peabody College for Teachers, 1953, Ph.D.
EXPERIENCE	
Present	: President, Gallaudet College
1961-1969	: Dean, College of Education, University of Tennessee
1960-1961	: Professor of Education, University of North Carolina
1957-1960	: Associate Dean for Graduate Studies, University of Rochester
1955-1957	: Associate Professor of Education, Auburn University
1953-1957	: Assistant Professor of Education, George Peabody College
1948-1951	: Assistant Principal and Teacher of English, Lee Edwards High School, Asheville, North Carolina
1946-1947	: Instructor in English, Asheville-Biltmore College, Asheville, North Carolina
MILITARY SERVICE	: Army of the United States ETO, W.W. II (Three Years)

INSTRUCTIONS
Elite type preferred
(12 characters per inch)
SINGLE SPACED

ASSOCIATION MEMBERSHIPS	National Association of Hearing and Speech Agencies Higher Education Group of Washington, D.C. Conference of Education Administrators Serving the Deaf Convention of American Instructors of the Deaf National Association of the Deaf Professional Rehabilitation Workers with the Adult Deaf American Association of School Administrators Phi Delta Kappa (fraternal society for men in education) Phi Kappa Phi (society recognizing scholarship) President's Committee on Employment of the Handicapped
PUBLICATIONS (Selected)	Administrative Behavior in Education. Campbell and Gregg, eds., "The Individual and Administrative Behavior," co-author of Chapter 9, New York: Harper and Brothers 1957 Better Teaching in School Administration (editor). Southern States Cooperative Program in Educational Administration, Nashville: McQuiddy Press, 1955 Professional Student Teaching Programs Danville: Interstate Printers and Publishers, 1967 (revised 1973) "Dare a Liberal Arts College Serve a Special Purpose?" Liberal Education. Washington, D.C., Vol. LVIII, No. 3, October 1972 "A Perspective on Higher Education," American Annals of the Deaf. Washington, D.C., Vol. 117, No. 6, December , 1972

Biography of James E. Cheek

NAME	James E. Cheek
POSITION	President of the University
BIRTHPLACE AND DATE	Roanoke Rapids, North Carolina; December 4, 1932
EDUCATION	Shaw University, 1955, B.A. Colgate-Rochester Divinity School, 1958, M.Div. Drew University, 1962, Ph.D.

EXPERIENCE

Present : President, Howard University

1963-1969 : President, Shaw University, Raleigh, North Carolina

1961-1963 : Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia

1959-1961 : Instructor in Western History, Union Junior College, Cranford, New Jersey

1959-1960 : Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey

Special Consultant to the President of the United States on Black Colleges and Universities, May-June, 1970

President's Commission on Campus Unrest (The Scranton Commission), June-October, 1970

ASSOCIATION MEMBERSHIPS

Board of Directors :
- First American Bank, N.A.
- National Permanent Federal Savings and and Loan Association
- Joint Center for Political Studies
- National Association for Equal Opportunity in Higher Education
- National Capital Area Council, Inc., #82 Boy Scouts of America
- People United to Save Humanity (PUSH)
- United Nations Association, Capital Area Division, Board and Advisory Committee

Board of Trustees :
- Consortium of Universities of the Washington Metropolitan Area
- Federal City Council
- New York Institute of Technology
- United Way of the National Capital Area
- Washington Center for Metropolitan Studies

Board of Advisors :
- Association for the Integration of Management, Inc.
- Close Up
- Colgate-Rochester Divinity School, Advisory Board
- GWETA, Community Advisory Council
- Institute for the Study of Educational Policy
- InterFuture, International Advisory Council
- International Telephone and Telegraph Corporation, College Scholarship Program
- Minorities in Engineering, National Advisory Council
- National Archives Advisory Council
- National Coordinating Council on Drug Abuse, Education and Information, Inc.
- National Council for Black Studies, National Advisory Committee

National Urban League and Booker T. Washington Foundation, TV Career Awareness Advisory Review Board
School Review, National Advisory Board
Speak Out!
Washington Urban League

HONORS AND RECOGNITIONS

Honorary Degrees :

Doctor of Humanities, Shaw University, 1970
Doctor of Humane Letters, Trinity College, 1970
Doctor of Laws, North Carolina Agricultural and Technical State University, 1971
Doctor of Laws, Drew University, 1971
Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972
Doctor of Education, Providence College, 1972
Doctor of Laws, Delaware State College, 1972
Doctor of Humanities, University of Maryland, 1975
Doctor of Divinity, Bucknell University, 1975
Doctor of Laws, New York Institute of Technology, 1980
Doctor of Laws, University of North Carolina, 1981
Doctor of Humane Letters, Duke University, 1982

Other Recognitions :

Alpha Kappa Delta, Sociology Honor Society
Sigma Pi Sigma, Physics Honor Society
Phi Delta Kappa, Education Honor Society
Alpha Theta Nu Theological Fraternity
Alpha Phi Alpha Fraternity

Colgate-Rochester Graduate Fellow, 1958
Lilly Foundation Fellow, 1958 and 1959
Rockefeller Doctoral Fellow, 1960

Presidential Medal of Freedom, 1983

INTRODUCTION OF ASSOCIATES

Mr. SKELLY. Mr. Chairman——

Senator WEICKER. You're Mr. Skelly?

Mr. SKELLY. I'm Mr. Skelly.

Senator WEICKER. Do me a favor on something like this.

Usually the chief spokesman here sits here, not at the end, unless he's trying to make a rush for the door——

[Laughter.]

Senator WEICKER [continuing]. Which I can understand in the face of some of the people that come in here.

But you go ahead and introduce them. And I would appreciate it if you would.

Mr. SKELLY. All right, Mr. Chairman.

Let me apologize for sitting here.

I won't be a main spokesman. I am here at the request of the subcommittee staff. I am more the Budget Office expert on technicalities. And I am not the main spokesperson for the institutions.

Senator WEICKER. I find, in handling the Department of Education budget, that it never really is a matter of substance that drives these requests here. It's the Budget Office that does that.

So, maybe you are really the main spokesman. [Laughter.]

Maybe you're the fellow I've been wanting to talk to for the last several weeks. [Laughter.]

Mr. SKELLY. You've got a good point there, Mr. Chairman. [Laughter.]

I'm sure you will enjoy talking to Dr. Cheek, from Howard University, who is here to my left.

Dr. Merrill, from Gallaudet College, the Kendall School, and the Model School.

Dr. Castle, from the National Technical Institute for the Deaf.

And Dr. Carson Nolan, from the American Printing House for the Blind.

Senator WEICKER. Fine.

Now, why don't we leave it, then, to have each of you gentlemen present your statement.

As I said, it will be included in its entirety.

I want you to synopsize it and allow the committee to ask questions. And I think that way we'll get a better understanding of what's going on.

Mr. SKELLY. Dr. Cheek, if you would like to start with a brief summary.

Dr. CHEEK. Yes.

HOWARD UNIVERSITY

SUMMARY OF BUDGET REQUEST

Mr. Chairman and members of the committee, the 1984 request for Howard University totals $159,720,000, which is an increase of $14,520,000 over fiscal year 1983.

Our request is targeted toward those areas where we have been making progress over the past several years and which represent some of the major priorities of the university.

They are increases for nonfaculty and faculty salaries, for library development, and funds for equipment and supplies for four of our schools and colleges: the school of communications, the school of business and public administration, the graduate school of arts and sciences which is a reorganized academic unit, and the college of dentistry.

The entire request in the program improvement areas for the four schools and colleges, as well as the university library, represent funds for additional equipment, supplies, and expenses.

We are also requesting the same amount that we have received in prior years for the university hospital, an amount of $22,106,000; and for what is called construction, but really is renovation, representing $1,490,000 for two projects. One of the projects is an ongoing one which is a continuation of the renovation of the old Freedmen's Hospital. The other project is an emergency request to repair a wall of the original building of the medical school which is pulling away from the main body of the building and is constituting a hazard.

I will be happy to answer any questions which you may have.

Senator WEICKER. You are requesting "point of order" language in order to exceed the authorization level by $14.5 million for fiscal year 1984.

It's my understanding that about $9 million of this amount is scheduled for faculty and staff pay increases; about $4 million to remove accreditation deficiencies; and about $1.5 million for renovation projects.

For fiscal year 1982, you requested about $8.5 million for faculty and staff pay increases; for fiscal year 1983, about $10 million. This year, you are requesting about $9 million.

What percentage increase do these amounts correlate to, for faculty and staff salaries for each of these years?

FACULTY SALARY INCREASES

Dr. CHEEK. Mr. Chairman, for the current year, for faculty salary increases, the average is 10 percent; for nonfaculty salary increases, it is 5 percent.

Last year, the amount for faculty salary increases represented 8 percent; and for nonfaculty, it represented 6 percent.

Senator WEICKER. How does Howard rank in terms of salary and salary increases compared with George Washington University, the University of Maryland, or Yale?

Dr. CHEEK. Mr. Chairman, I do not have the information available to me at the present time.

Senator WEICKER. Will you have that submitted for the record, then.

Dr. CHEEK. Yes.

We do have it for Georgetown. And we can get it.

[The information follows:]

COMPARATIVE TABLE OF HOWARD UNIVERSITY AVERAGE FACULTY SALARIES WITH AAUP AVERAGE FOR 1980/81 TO 1982/83

	1982-83		1981-82		1980-81	
	HU projected[1]	AAUP[2]	HU[3]	AAUP	HU[4]	AAUP
Professor	$38,588	$40,220	$35,729	$37,073	$33,600	$36,000
Associate professor	28,169	27,940	26,082	27,093	24,900	25,290
Assistant professor	23,153	22,500	21,437	21,840	20,600	20,170
Instructor	18,007	18,300	16,674	17,859	17,300	16,470

[1] Represents 1982 average salary plus 8 percent increase.
[2] Table 5, weighted average salary by category, affiliation, and academic rank. 1981 category I, ACADEME, bulletin of the AAUP, July-August the AAUP, July-August 1982, p. 17.
[3] Represents 1981 average salary plus 8 percent increase.
[4] Represents 1980 average salary plus 6.5 percent increase.
(Note: AAUP does not project).

COMPARISON OF AVERAGE FACULTY SALARIES BY RANK—1982-83

Name of institution	Professor	Associate professor	Assistant professor	Instructor
University of Maryland	$35,500	$26,100	$20,900	$15,100
Yale University	44,800	27,200	21,300	17,300
George Washington University	37,400	27,400	21,600	14,700
Howard University	35,500	27,200	22,400	18,800

Source of Data: The ACADEME, Bulletin of the American Association of University Professors, July-August 1982, p. 34.

COMPARISON OF AVERAGE FACULTY SALARIES BY RANK—DISTRICT OF COLUMBIA 1982-83

Name of institution	Professor	Associate professor	Assistant professor	Instructor
American University	$35,100	$26,700	$22,200	$19,900
Gallaudet College	35,500	28,500	22,700	17,900
George Washington University	37,400	27,400	21,600	14,700
Georgetown University	40,100	29,600	23,100	17,000
Howard University	35,500	27,200	22,400	18,800
University of District of Columbia	34,200	27,300	22,500	19,400

Source of Data: The ACADEME, Bulletin of the American Association of University Professors, July-August 1982, p. 34.

ACCREDITATION DEFICIENCIES

Senator WEICKER. What is it for Georgetown?

Dr. CHEEK. We are roughly comparable with Georgetown, except at the rank of full professor.

Senator WEICKER. In terms of increases or in terms of salary?

Dr. CHEEK. No; in terms of average salary.

Senator WEICKER. Average salary?

Dr. CHEEK. Yes.

Senator WEICKER. In fiscal year 1982, you requested $6 million over the previous year to help eliminate deficiencies identified in accreditation reports. In fiscal year 1983, you requested an increase of $3.5 million over the previous year. This year you are requesting about $4 million for this purpose.

What is your timetable for having these deficiencies corrected?

Dr. CHEEK. Mr. Chairman, it is our hope that the problems we seek to address with this request could be accomplished within 12 to 18 months.

I should explain that the accreditation deficiencies to which we are referring here in this request relate specifically to deficiencies having to do with inadequate equipment and insufficient supplies and expenses.

The accreditation process is an ongoing one. And in some of our programs we are at the level of what would be described as minimal qualification for accreditation.

It is our intent to move from a level of minimum to become at least adequate.

THE HOWARD INN

Senator WEICKER. About 1 year ago, Howard University purchased a luxury hotel, Harambee House, in the District of Columbia. It's my understanding the Department of Commerce offered it to the university at a cost of $1.3 million.

Have the renovations which were planned for this facility been completed?

Dr. CHEEK. Yes, they have, in the main.

Senator WEICKER. And is the facility making a profit?

Dr. CHEEK. Mr. Chairman, it is not making a profit overall.

At the present time, it has made a slight profit over the last 3 months in the food and beverage departments. But we expect with a 5-year period to make a profit.

I can't predict how much of a profit that would be, though.

Senator WEICKER. How did the university get into the hotel business? I don't understand that.

Dr. CHEEK. First of all, the hotel is located, frankly, on what could be described as the Howard University campus—that is, it is located within the boundary approved by the National Capital Planning Commission for Howard University expansion.

We established a school of business and public administration in 1971. It is a part of a long-range plan for that school, that would include a degree program in hotel/motel management. The hotel will serve as a laboratory for students in the school of business who wish to specialize in this field and will be affiliated with several other hotel chains that will provide internship experience.

Senator WEICKER. Well, I have just taken over the chairmanship of this subcommittee, and I'm still in the learning process as to all the facets of its jurisdiction.

And it could very well be that what you describe is a proper activity of the university. But let me just alert you to the fact that I am going to be keeping a very close eye on this one.

Dr. CHEEK. I understand.

Senator WEICKER. There is substantial commitment of taxpayers money, as it is, to Howard University. And I have no problems with that. But I sure as heck, at a time when the universities are having a difficult time all over this country, have difficulty with hotels.

So, I will expect—just so you are not blind-sided on this, Dr. Cheek, I am going to have staff keep a very close eye on this during this year, and we'll see where we stand in the next hearings, a year from now.

I'm perfectly willing to admit I'm very prejudiced against this type of project, especially at a time of very limited economic resources for institutions and people all over this country.

Dr. CHEEK. Yes; I can understand, Mr. Chairman.

I should point out that having a hotel associated with a university that has a degree program in this field is not unique. The same kind of situation exists at Cornell University, which offers a similar program.

Senator WEICKER. But we're not going ahead and financing Cornell University out of this committee.

Dr. CHEEK. No; not in the way you are financing us, but in other ways.

Senator WEICKER. As I said, I'm still learning. Maybe there is something in this whole thing that I don't see.

But I'll tell you, Dr. Cheek, even in my cities of New Haven and Hartford, there are a lot of people that would love to live at the Harambee Hotel that don't even have running water or toilets that will flush, or windows or anything else.

I'm sorry. It's just that this type of operation under these circumstances—where to get what we really need out there is a fight for life for some people—I don't understand this project.

But as I say, maybe there's something here that's escaping me, and I'll be glad to take a look at it.

Dr. CHEEK. Mr. Chairman, would it be helpful if we provided your staff with a report?

Senator WEICKER. I intend to have a member of my staff assigned to providing a complete explanation of this activity.

Dr. CHEEK. Thank you.

FEDERAL APPROPRIATION PERCENTAGE

Senator WEICKER. Could you tell us what percent of the operating budget comes from direct Federal appropriations?

Dr. CHEEK. Approximately 62 percent.

Senator WEICKER. And what percentage of students receive Federal student financial assistance in all your schools?

Dr. CHEEK. In the current year, approximately 84 percent.

ADMINISTRATIVE OVERHEAD EXPENSES

Senator WEICKER. According to information provided to the committee, based on reports filed with the National Center for Educational Statistics, in 1980 Howard's administrative overhead expenses per student were more than twice as high as comparable institutions, such as Georgetown and Duke.

Has this situation improved?

Dr. CHEEK. Mr. Chairman, the report to which you refer contained an error, because the information that was submitted lumped together, under administrative costs, costs that should have been spread over other areas.

And I think the record will show last year we received the same kind of question, and we provided information to this committee to clarify that problem.

Senator WEICKER. In other words, has the National Center for Educational Statistics amended their report?

Dr. CHEEK. I do not know with respect to the current year, but we have a report that was submitted at the request of the committee last year.

Senator WEICKER. All right. Fine.

You will go ahead and submit that for the record, and I would appreciate it.

[The information follows:]

March 12, 1982

The Honorable William Proxmire
Ranking Minority Member
Subcommittee on Labor, Health
  and Human Services and Education
Committee on Appropriations
United States Senate

Dear Senator Proxmire:

Subject: Use of Federally Appropriated Funds by Howard University for Administrative Expenses (HRD-82-50)

Pursuant to your October 20, 1981, letter, we reviewed Howard University's use of federally appropriated funds for administrative expenses. Data provided to you by the National Center for Educational Statistics (NCES) indicated that Howard's 1978-80 institutional or administrative expenses as a percentage of educational and general expenditures were generally four to five times higher than other similar universities. According to NCES data, Howard's administrative expenses in recent years have averaged about 23 percent of its educational and general expenditures.

For fiscal year 1981, Howard received appropriations of $133,983,000 including $101,637,000 for academic programs, $22,106,000 for its hospital, and $10,240,000 for construction. The remainder of its total budget of about $247 million was obtained from student fees and tuition and other revenue sources. Howard initially reported that about $29.3 million of its total expenses were used for administrative expenses. The administrative expenses reported by Howard to NCES, however, were overstated because expenses amounting to about $15 million were erroneously classified. After adjusting for the errors, Howard's administrative expenses for fiscal year 1981 were about 10 percent of its educational and general expenditures, a percentage more comparable to other similar universities.

Enclosure I discusses the results of our review in more detail.

We will not release this report for 30 days unless you approve its release or make its contents public. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Edward A Densmore

for Gregory J. Ahart
Director

ENCLOSURE I

USE OF FEDERALLY APPROPRIATED FUNDS BY HOWARD UNIVERSITY FOR ADMINISTRATIVE EXPENSES

BACKGROUND

Howard University was established by an act of incorporation by the U.S. Congress on March 2, 1867, and began officially operating on May 1, 1867. In 1928 the Congress amended the original act of incorporation to authorize annual Federal appropriations to aid in the construction, development, improvement, and maintenance of

Howard. The amendment prohibits the use of funds for religious purposes. Appropriations were authorized for Howard because the Congress believed the Federal Government had an obligation to help establish Howard as a top-rank university to compensate Black citizens for the inequitable cultural and educational opportunities afforded to them. In fiscal year 1/ 1981, Howard received $133,983,000 in Federal appropriations; over half of its 1981 total expenditures of $247 million. The remaining expenditures were covered by student fees and tuition, endowments, gifts, grants, and revenues generated from services and other functions provided by educational departments and auxiliary enterprises.

According to Howard, its goal is twofold. One goal is to provide students, irrespective of race, sex, creed, or national origin, the highest quality education at a reasonable cost. The other is to assist, through use of its research resources, in the development of solutions to human and social problems. Currently, Howard has 17 schools and colleges and offers master's degrees in over 85 areas and doctor of philosophy degrees in 23 fields. During the 1980-81 academic year Howard conferred 1,872 degrees. It also awarded 38 certificates in such areas as radiological technology, radiation therapy, and physician assistant.

The majority of Howard's student population are minority students, principally Blacks. During the 1980-81 academic year, Howard's student population totaled 12,294. Black students comprised about 79 percent of the student population. About 17 percent of the remaining students were nonresident aliens and about 4 percent were American Indians, Asians, Hispanics, and Caucasians. Howard's foreign student population represents between 15 and 20 percent of the student body with about half of these students coming from African countries.

Howard is directed by a Board of Trustees and a president as shown by the organizational chart in enclosure II. It is divided into six major organizational areas with each area being assigned to a vice president who reports to the president. About 6,029 persons are employed by Howard, including about 1,955 involved in teaching, about 2,519 involved in the University's hospital activities, and the remainder employed generally in administrative and institutional support staff positions.

SCOPE OF REVIEW

Our review of Howard's administrative expenses was limited primarily to the University's use of federally appropriated funds for fiscal year 1981 administrative expenses. We selected the 1981 expenses because they were most recently audited by Howard's certified public accountants. We confirmed that Howard's use of federally appropriated funds for fiscal year 1981 was typical of the way in which it used the funds in past years. Our analysis of expenses was based on Howard's annual expenditure reports which showed for each expense category the use of Federal and non-Federal funds. Our analysis of Howard's expenditures was directed to understanding the nature of the expenses and not to determining whether the expenses were justified or properly documented. We relied on the work of Howard's certified public accountants as to the integrity of the financial accounts. We also reviewed certified public accountants' annual audit reports of Howard's financial activities to ascertain whether they contained any exceptions concerning accounting for administrative expenses.

Our review was generally performed in accordance with GAO's current "Standards for Audits of Governmental Organizations, Programs, Activities, and Functions."

1/Howard's fiscal year extends from July 1 to June 30.

HOWARD'S REPORTED ADMINISTRATIVE EXPENSES OVERSTATED

The administrative expenses Howard reported to the National Center for Educational Statistics (NCES) were overstated by about $15 million for fiscal year 1981 primarily because they erroneously included certain employee fringe benefit and auxiliary enterprise expenses.

Each year Howard provides financial data to NCES as part of NCES' nationwide collection of financial statistics on colleges and universities. Howard annually reports to NCES its total educational and general expenditures consisting of expenditures for instruction, research, institutional or administrative support, academic support, public service, student services, operation and maintenance of plant, and scholarships and fellowships.

NCES suggests that colleges and universities report their financial data on the basis of the guidelines established by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA). These guidelines define expenditure categories for universities and recommend the type of expenses to be charged to each. According to the guidelines, expenses relating to a university's general executive and administrative offices should be charged to administrative support, and expenses relating to the university's instruction activities should be charged to the instruction expenditure category. The guidelines also state that, like salary expenses, employee fringe benefit expenses should be distributed among the appropriate expenditure categories.

Accordingly, an administrator's fringe benefits should be charged to the administrative expense category, and an instructor's fringe benefits should be charged to the instruction expenditure category. The guidelines recommend that universities allocate an appropriate portion of the administrative costs to auxiliary enterprises. Auxiliary enterprises are entities, such as residence halls, food service, intercollegiate athletics, and college unions, that exist to furnish goods or services to students and faculty.

Howard reported administrative expenses to NCES for fiscal year 1981 totaling $29.3 million, which represented about 20 percent of its educational and general expenditures. 1/ For fiscal year 1980, Howard reported administrative expenses totaling about $37.5 million representing about 23 percent of its educational and general expenditures. Howard's administrative expenses included costs for central executive level activities, fiscal operations, administrative data processing, space management, personnel records, logistic activities, support services to faculty and staff, public relations, and university development activities. Most of these expenses were charged to Howard's Federal appropriations. The distribution of Howard's administrative expenses for fiscal year 1981 between federally appropriated and university funds by office or function is shown in enclosure III.

We pointed out to Howard officials that Howard's administrative expenses as reported to NCES appeared to be higher than those reported by other similar universities. Howard asked its certified public accountants to look into this matter. The accountants discovered, and our review work corroborated the fact that, during the past several years, Howard included in the administrative expenses category reported to NCES some expenses which should not have been charged under this category. Howard charged all employee

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1/Howard's educational and general expenditures for fiscal year 1981 were $143 million of the University's total expenditures--$247 million. The remaining expenditures were for the University's hospital and auxiliary enterprises.

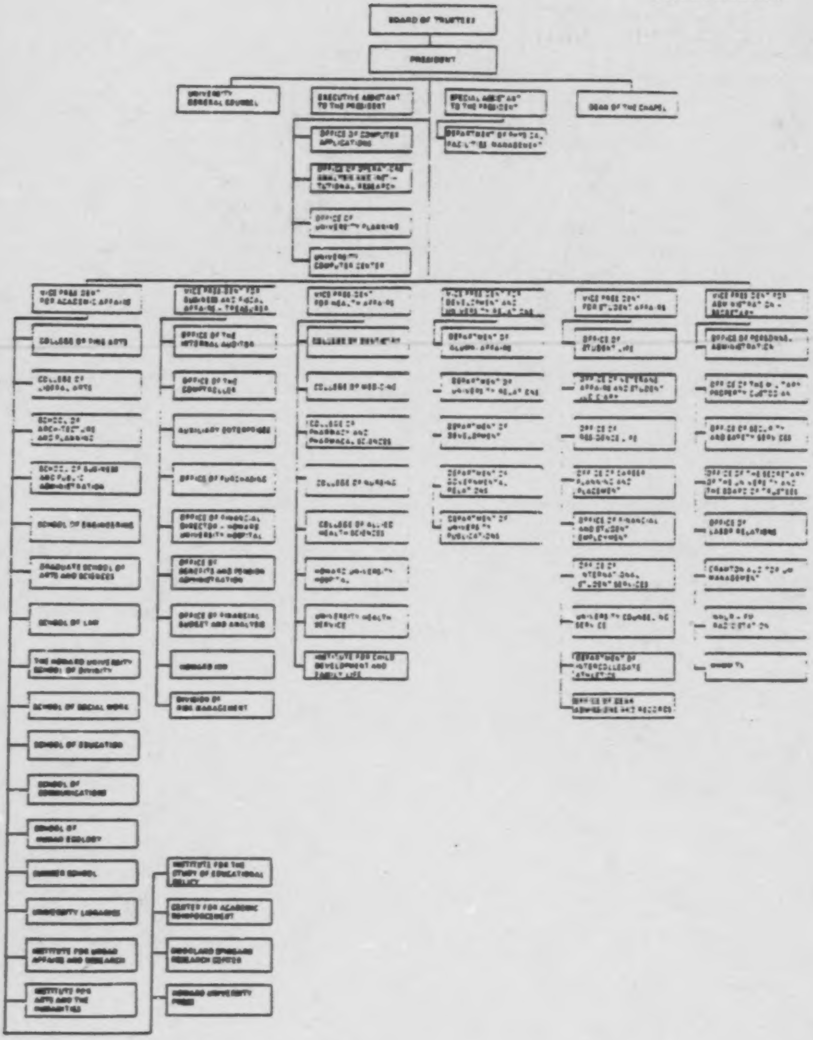
fringe benefit expenses to the administrative expense category, whereas only fringe benefit expenses for employees in administrative offices should have been charged to this category. The accountants made an adjustment of about $9.7 million to account for the improperly classified fringe benefits of nonadministrative staff and other improperly classified expenses.

Also, Howard did not allocate any administrative expenses to its auxiliary enterprises as provided for by NACUBO and AICPA guidelines; this required an adjustment of about $5.1 million. Consequently, the financial data which Howard reported to NCES overstated the amount of the University's administrative expenses.

After making the appropriate adjustments, Howard's administrative expenses for fiscal years 1980 and 1981 were about $16 million and about $14 million, respectively, representing about 11 percent and 10 percent of its educational and general expenditures. Howard submitted the adjusted amounts to NCES. Howard officials told us that Howard's administrative expenses were also overstated for the previous 2 fiscal years but that adjustments for those years will not be made.

ENCLOSURE II

Howard University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EXECUTIVE ASSISTANT TO THE PRESIDENT
SPECIAL ASSISTANT TO THE PRESIDENT
DEAN OF THE CHAPEL
OFFICE OF COMPUTER APPLICATIONS
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UNIVERSITY COMPUTER CENTER
DEPARTMENT OF PHYSICAL FACILITIES MANAGEMENT
VICE PRESIDENT FOR ACADEMIC AFFAIRS
COLLEGE OF FINE ARTS
COLLEGE OF LIBERAL ARTS
SCHOOL OF ARCHITECTURE AND PLANNING
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
SCHOOL OF ENGINEERING
GRADUATE SCHOOL OF ARTS AND SCIENCES
SCHOOL OF LAW
THE HOWARD UNIVERSITY SCHOOL OF DIVINITY
SCHOOL OF SOCIAL WORK
SCHOOL OF EDUCATION
SCHOOL OF COMMUNICATIONS
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OFFICE OF THE COMPTROLLER
AUXILIARY ENTERPRISES
OFFICE OF PURCHASING
OFFICE OF FINANCIAL DIRECTOR - HOWARD UNIVERSITY HOSPITAL
OFFICE OF BENEFITS AND PENSION ADMINISTRATION
OFFICE OF FINANCIAL BUDGET AND ANALYSIS
HOWARD INN
DIVISION OF RISK MANAGEMENT
VICE PRESIDENT FOR HEALTH AFFAIRS
COLLEGE OF DENTISTRY
COLLEGE OF MEDICINE
COLLEGE OF PHARMACY AND PHARMACEUTICAL SCIENCES
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UNIVERSITY HEALTH SERVICE
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DEPARTMENT OF UNIVERSITY RELATIONS
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VICE PRESIDENT FOR STUDENT AFFAIRS
OFFICE OF STUDENT LIFE
OFFICE OF VETERANS AFFAIRS AND STUDENT
OFFICE OF RESIDENCE LIFE
OFFICE OF CAREER PLANNING AND PLACEMENT
OFFICE OF FINANCIAL AID AND STUDENT EMPLOYMENT
OFFICE OF INTERNATIONAL STUDENT SERVICES
UNIVERSITY COUNSELING SERVICE
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
OFFICE OF THE DEAN OF ADMISSIONS AND RECORDS
VICE PRESIDENT FOR ADMINISTRATION - SECRETARY
OFFICE OF PERSONNEL ADMINISTRATION
OFFICE OF SECURITY AND SAFETY SERVICES
OFFICE OF THE SECRETARY OF THE UNIVERSITY AND THE BOARD OF TRUSTEES
OFFICE OF LABOR RELATIONS

ENCLOSURE III

HOWARD UNIVERSITY'S USE OF FEDERALLY APPROPRIATED AND UNIVERSITY FUNDS FOR ADMINISTRATIVE EXPENSES FISCAL YEAR 1981

Administrative office/function	University funds	Federally appropriated funds	Total expenses
Office of the President	$128,919.16	$235,749.22	$364,668.38
Information Systems Task Force Office	99,299.13	118,157.20	217,456.33
University Planning Office	22,479.25	275,707.30	298,186.55
Operational Analysis/ Institutional Research Office	240.65	360,357.58	360,598.23
Computer Center	88,186.11	1,683,937.68	1,772,123.79
Office of Computer Application	3,275.29	339,238.89	342,514.18
Office of University Legal Counsel	8,132.37	159,490.47	167,622.84
President's travel promotion	16,659.74	1,429.50	18,089.24
Office of the Vice President for University Relations	223,269.49	152,663.02	375,932.51
Government Relations Office	13,052.43	152,458.70	165,511.13
Miscellaneous (note a)	828,940.06		828,940.06
Consortium costs	1,673.00		1,673.00
Property acquisition/ rental	328,302.54		328,302.54
Compensation for administrative officers/deans	$55,265.70	b/$1,762,391.14	$1,817,656.84
Real estate taxes on investment property	5,882.99		5,882.99
Real estate taxes on donated property	7,030.09		7,030.09
Prior year expenditures/general & administrative	(105,845.52)	1,371.62	(104,473.90)

Administrative office/function	University funds	Federally appropriated funds	Total expenses
Recovery of indirect costs	223,004.41		223,004.41
Payroll system improvement	148,213.34		148,213.34
Salary adjustment account	(413,206.72)	39,786.08	(373,420.64)
Budget Office	3,433.06	321,603.57	325,036.63
Office of Financial Budget/Analysis	1,263.50	140,809.46	142,072.96
Office of the Comptroller	514,112.13	569,771.22	1,083,883.35
Accounting Office	(6,716.40)	314,475.06	307,758.66
Accounts Payable/ Disbursement Office	(10,533.60)	422,415.85	411,882.25
Accounts Receivable Office	3,358.94	639,278.75	642,637.69
Student Loans Office		16,376.25	16,376.25
Cashier's Office	(122.08)	20,638.89	20,516.81
Payroll Office	$(4,765.22)	$329,813.42	$325,048.20
Restricted Accounting Office	11,304.13	277,214.93	288,519.06
Financial Programing Office		280,329.80	280,329.80
Purchasing Office	1,139.36	262,218.74	263,358.10
Office of Internal Auditor	12,417.11	120,229.55	132,646.66
Office of the Director--Auxiliary Enterprises	92,473.86	428.70	92,902.56
Post Office	(10,881.16)	101,422.85	90,541.69
Office of Benefit Pension Administration	53,004.76	345,748.37	398,753.13
Central Receiving Office	1,771.01	32,177.60	33,948.61
Office of University Relations	109,268.09	283,699.70	392,967.79
Publications Office	189,554.98	127,665.09	317,220.07
Development Office	48,413.52	286,642.83	335,056.35
President's annual report	12,890.20	154.64	13,044.84

Administrative office/function	University funds	Federally appropriate funds	Total expenses
Promotional program	76,419.21	2,000.00	78,419.21
Alumni Office	111,688.57	362,158.02	473,846.59
International Affairs Office	718.20	20,980.25	21,698.45
Office of the Vice President for Business/Fiscal Affairs	63,356.62	352,322.16	415,678.78
Auditing expense	$454,457.61		$454,457.61
Membership expense	36,772.00	$ 2,000.00	38,772.00
Investment expense	58,474.75		58,474.75
Contract legal service	38,472.56		38,472.56
Legal settlement	88,019.60		88,019.60
Bad debts expense	226,170.03		226,170.03
Office of the Vice President for Administration	22,446.05	178,779.22	201,225.27
Board of Trustees	120,652.81	31,931.25	152,584.06
Board of Trustees Chairman's Hospitality Fund	1,043.73		1,043.73
Commencement expenses	119,545.97	4,545.45	124,091.42
Office of Personnel Administration	52,302.88	372,945.81	425,248.69
Employment recognition expense	25,164.89		25,164.89
Architecture & engineering services (contract)	231,829.72	179,420.90	411,250.62
Payroll Office renovation	125,381.00	1,100.00	126,481.00
Office of Security/ Safety Services	250,881.01	1,505,591.90	1,756,472.91
Cramton Auditorium management	2,021.64	96,786.61	98,808.25
Military property custodian	$ 32.06	$ 18,426.50	$ 18,458.56
Architecture & engineering services (in-house)	1,239.77	191,968.49	193,208.26
Staff benefits	530,636.92	733,879.93	c/1,264,516.85

Administrative office/function	University funds	Federally appropriated funds	Total expenses
Disability difference pay	3,017.82	3,122.59	6,140.41
Consultant/administrative fees	2,595.45	7,786.35	10,381.80
Total	$5,347,500.57	$14,241,599.10	d/$19,589,099.67
Less:			
Administrative overhead expenses for auxiliary enterprises	(e)	(e)	e/5,137,703.00
Actual expenses			$14,451,396.67

a/Generally includes unusual, nonrecurring expenses, such as cost overruns.

b/Funds for instructional deans to be reclassified at yearend. All administrative officers' and deans' salaries are charged to a combined account internally during the year with a reallocation to the respective department at yearend.

c/This amount reflects fringe benefit expenses for administrative staff only.

d/This amount represents Howards's total administrative expenses after reclassifying $9,731,279 in fringe benefits for nonadministrative staff and other expenses, but before allocating $5,137,703.00 in administrative overhead expenses for the operation of the University's auxiliary enterprises.

e/The amounts of Howard University and federally appropriated funds used for administrative overhead auxiliary enterprise expenses are not available.

FACULTY SALARY INCREASES

Senator WEICKER. Senator Proxmire.

Senator PROXMIRE. President Cheek, you just told us that last year your faculty received a salary increase of 8 percent; is that right?

Dr. CHEEK. That's correct.

Senator PROXMIRE. This year you're asking for 10-percent increase?

Dr. CHEEK. Yes, that's correct.

Senator PROXMIRE. You say that your salaries are now comparable to Georgetown's and that you will give us statistics on your comparablity to other institutions.

How do you justify a salary increase of 10 percent at a time when the anticipated inflation rate will be about 5 percent and the increase in compensation throughout our country is expected to be around 6 or 7 percent, especially when there's a proposal by the administration to have no increase in pay whatsoever for Federal employees?

Why should your faculty receive a 10-percent increase?

Dr. CHEEK. Senator Proxmire, we have been, for a period of almost 15 years now, comparing our faculty salaries to the scale of the American Association of University Professors for category I institutions, "category I" meaning comprehensive universities.

Over the past decade, the average increase for universities in category I have been 9 to 10 percent annually. The increases which we have been able to provide have been from 7 to 8 percent annually.

We found ourselves, therefore, slipping somewhat behind in terms of maintaining parity with comparable institutions. We are seeking this percentage increase this year in an effort to catch up.

Senator PROXMIRE. The Chairman asked you for comparability with various institutions. Can you give us a precise report on how you compare with other institutions in the same category? Was that category I?

Dr. CHEEK. Yes, that's correct.

Yes, I can.

Senator PROXMIRE. Are your teachers behind other institutions in all categories, including those instructors who are not full professors? You said you are behind Georgetown in compensation for full professors.

Dr. CHEEK. We are approximately $5,000 behind Georgetown for the rank of——

Senator PROXMIRE. Full professor?

Dr. CHEEK. Full professor.

We are $2,400 below the average there for associate professor, approximately $1,000 below Georgetown for assistant professor. And we are about $1,800——

Senator PROXMIRE. How do you compare with the average for other category I institutions?

Dr. CHEEK. According to the AAUP scale for the 1982 school year, we are behind by about the same amount.

Senator PROXMIRE. Now, is that scale the goal, or does that scale represent what has been achieved?

I know in Wisconsin we are very proud of our institutions, but unfortunately our salaries are also lower than they would like them to be and lower than the standard.

Are you comparing your salaries to the standard or to the actual level?

Dr. CHEEK. No; we are giving you an actual level for the AAUP for 1982–83.

HOWARD UNIVERSITY REVENUES

Senator PROXMIRE. In fiscal 1980, Howard received only 1 percent of its revenues in endowments and 3 percent in private gifts.

The Federal appropriation for that year represented 60 percent of the university's revenues, and you testified it's about that now.

Dr. CHEEK. Yes.

Senator PROXMIRE. Have private contributions increased during the past year?

Dr. CHEEK. They have increased by almost $1 million.

Senator PROXMIRE. Can you give us that in percentages?

What would that mean? You said last year you received 1 percent of your revenues in endowments, 3 percent in private gifts. What is that $1 million?

Dr. CHEEK. In terms of relationship to total budget, the percentage would be about the same.

Senator PROXMIRE. It still would be 1 and 3 percent respectively?

Dr. CHEEK. That's correct, yes.

Senator PROXMIRE. How much did the university receive overall in the Federal funds in fiscal 1982?

By that, I mean not only appropriated funds, but grants and the Federal appropriation for the hospital.

Do you have any idea of the amount?

Dr. CHEEK. I know the amount of the Federal appropriation, which was $125.2 million.

I would have to supply you with the information with respect to gifts and grants.

Senator PROXMIRE. Can you give us that information off the top of your head? Roughly what would that amount to?

Dr. CHEEK. If we took into account both the private as well as Federal——

Senator PROXMIRE. No; I'm talking about just Federal support.

Dr. CHEEK. Just Federal?

Senator PROXMIRE. Yes, sir.

Dr. CHEEK. No; I don't have that information readily available to me.

Senator PROXMIRE. All right.

For the record, can you provide a complete breakout of Howard's revenues for the last fiscal year?

Dr. CHEEK. Yes, I can.

[The information follows:]

SCHEDULE OF CURRENT FUNDS REVENUES YEAR ENDED JUNE 30, 1982

	Total revenue	Percentage
Revenues:		
Tuition and fees	$26,510,038	14.6
Federal appropriations	106,300,976	58.5
Federal grants and contracts	27,616,346	15.2
State and local grants and contracts	187,335	0.1
Private gifts, grants, and contracts	5,901,062	3.2
Endowment income	990,866	0.5
Sales and services:		
Educational departments	5,702,268	3.1
Auxiliary enterprises	5,709,951	3.1
Investment income and other sources	3,036,997	1.7
Total revenues	181,955,839	100.0

ALUMNI SUPPORT

Senator PROXMIRE. Can you tell us how much alumni support the university received last year?

Dr. CHEEK. Last year, it was roughly $750,000. And that was down from the preceding year.

Senator PROXMIRE. Do you know by how much?

Dr. CHEEK. It was down by about $100,000.

STUDENT LOAN PROGRAM

Senator PROXMIRE. As you know, current regulations under the direct student loan program prohibit any school with a default rate of 25 percent or higher from receiving any new Federal capital contribution.

Howard's default rate under this program has been more than 29 percent ever since the regulation went into effect.

What are you doing to recover those funds?

Dr. CHEEK. Mr. Chairman, we have engaged the services of Wachovia Bank & Trust Co., which has a division that specializes in this. We also are using private attorneys to assist us.

Senator PROXMIRE. How did you happen to pick Wachovia? That's down in North Carolina.

Dr. CHEEK. Yes, it is.

I think we selected them because of their having a specialized department in this area, and they have been quite successful. We don't have a track record yet on their performance with respect to us because we just engaged them.

FOREIGN STUDENT TUITION

Senator PROXMIRE. I just have one other question, Mr. Chairman.

President Cheek, as you know, the suggestion has been made by past administrations that Howard charge a higher tuition fee for its foreign students, just as State universities do for nonresidents. In 1979, Howard's foreign student population made up about 40 percent of its graduate school and 17 percent of its overall enrollment.

Based on information supplied to the subcommittee by university officials, such a differential would not only jeopardize its IRS tax exempt status, but a serious legal question would be raised concerning the constitutionality of such action, since foreign students may charge Howard with discrimination based on national origin.

Dr. CHEEK. Yes.

Senator PROXMIRE. Have you received a legal opinion on this issue and, if so, can you give us a copy for the record?

Dr. CHEEK. I can provide a copy for the record; yes.

[The information follows:]

MEMORANDUM OF POINTS AND AUTHORITIES ON THE QUESTION OF TUITION DIFFERENTIALS FOR FOREIGN AND DOMESTIC STUDENTS

The standards to be met involving the equal protection clause of the 14th amendment (and the inclusive due process clause of the fifth amendment) were set forth in *Reed* v. *Reed*, 404 U.S. 71 (1971). In a unanimous decision, the court held that: "In applying that clause, this court has consistently recognized that the 14th amendment does not deny to States the power to treat different classes of persons in different ways. The equal protection clause of that amendment does, however, deny to States the power to legislate that different treatment be accorded to persons placed by a statute into different classes on the basis of criteria wholly unrelated to the objective of that statute. A classification 'must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike.' *Royster Guano Co.* v. *Virginia*, 253 U.S. 412, 415; 64 L. ed.

It is not open to question that the Constitution of the United States through the fifth amendment has the same effect in the District of Columbia as the 14th amendment has in the several States of the Union. It is equally clear that the fifth amendment prohibits discrimination acts against aliens resident in the United States where there is governmental action.

The 14th amendment (and by adoption of fifth amendment) provides "nor shall any State deprive any person of life, liberty, and protection without due process of law nor deny to any person within its jurisdiction the equal protection of the law." It has been long settled that the term "person" encompasses lawfuly admitted resident as well as citizens of the United States and entitled both classes to equal protection of the law. The Supreme Court has established that classification based on alienage is inherently suspect and subject to close judicial scrutiny. Aliens are a classic example of a "discreet and insular" minority and as such aliens are subject to the same protection as are citizens of the United States. This principle does not turn upon whether a governmental benefit is characterized as a "right" or as a privilege. *Bell* v. *Burson*, 402 U.S. 535 (1971).

In *Shaprio* v. *Thompson*, 394 U.S. 630, the Supreme Court stated the following: "A State has a valid interest in preserving the fiscal integrity of its programs. It may legitimately attempt to limit its expenditures whether for public assistance, public education or any other programs. But a State may not accomplish such a purpose by insidious distinctions between classes of its citizens * * *"

Since for equal protection purposes, an alien as well as a citizen is a "person" a concern for fiscal integrity is equally lacking as a compelling justification for the questionable classification of aliens for the purpose of a tuition differential.

If Congress were to mandate that foreign students in Howard University be charged a higher tuition than domestic students it would be my opinion that upon application of an aggrieved foreign student the courts would declare this to be a discriminatory act on the part of the Government of the United States and would strike down the mandate as unconstitutional Government action. In *Jagnandan* v. *Giles*, 379 F. Supp. 1178, where the question of Mississippi's legitimate power to charge a differentiated tutition fee to resident alien students was at issue, the Federal District Court held that provided residency requirements are met alien residents could not be charged a higher tuition than citizens of Mississippi.

A cognate principle was recognized by the Supreme Court of the United States in *Toll*, et al v. *Marino*, et al., a case decided June 28, 1982, 50 LW 4880, involving the University of Maryland's program to grant preferential treatment for purposes of tuition and fees to students with "instate" status. This policy was not acceptable to the court. The question there arose upon the application of nonimmigrant aliens. The court held that the University's policy violated various Federal laws. The due process and equal protection clauses of the 14th amendment and the supremacy clause.

While it is realized that Howard University is a private corporation, it is clear that action taken by it to comply with a mandate from the Congress of the United States to impose the subject differentiated tuition charges would fall within the ambit of the State (government) action doctrine. A host of cases, the landmark of which, is the case of *Jackson*, v. *Metropolitan Edison*, 419 U.S. 345 (1974) supports this proposition.

In accordance with the foregoing I conclude that serious constitutional (not to mention constrictions created by the Civil Rights Act of 1964, as amended) would be raised by attempting in extant circumstances to charge a higher tuition to foreign students than the Americans.

Respectfully submitted,

DORSEY EDWARD LANE,
General counsel, Howard University.

CHARGING HIGHER FEES

Senator PROXMIRE. And would the legal opinion indicate that a question regarding the constitutionality of charging higher fees would be sustained?

Dr. CHEEK. That is correct, Senator.

Senator PROXMIRE. So you would be inhibited from charging higher tuition?

Dr. CHEEK. That's what we think.

Senator PROXMIRE. In the judgment of your legal advisers?

Dr. CHEEK. Yes.

Senator PROXMIRE. Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be additional questions which we will submit for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TESTIMONY OF FORMER FACULTY MEMBER

Question: Dr. Cheek, last year a former Howard Faculty member and Professor of Economics testified before this committtee that more than 90 percent of the economic graduates failed to pass their comprehensive examinations the first time around, and that a number of his required readings for basic economics, such as Wealth of Nations, Das Capital, and other, were not available from the library because the library did not own such volumes. This individual also pointed to the fact that there are no tenured faculty women in the economics department. These comments are now a part of our permanent record. Have you seen this testimony, and, for the sake of equal time, would you care to comment on these allegations either here or for the record?

Answer: I have seen a copy of the remarks by the former Howard University faculty member and I would like to comment on his remarks for the record since this erroneous data are being disbursed to thousands of Americans and I would like to have the opportunity to set the record straight. First, the faculty member in question, who testified before this committee served at Howard University in the Economics Department for 6 years. According to the procedure at Howard University to obtain tenure, an individual at the conclusion of his 6th year of employment will be recommended for tenure based upon a review of his peers by majority vote of the department or failing tenure, non-renewal of contract. In the case of this individual, he was not recommended for tenure by his peers and his contract was not renewed. He made several efforts to have a conference with me under the belief that the President of the University has the authority to override the full-time faculty in his department with respect to recommendations pertaining to tenure. I do not have that authority and even if the authority were granted I would have no desire to substitute my judgment for that of his peers in such a specialized field. These tenured policies at Howard University are similar to tenure policies in virtually all of the major universities in the country. When I would not see this individual to give credibility to his argument that the faculty did not fairly consider his case for tenure or that the decision by his peers not to recommend tenure was based on racial discrimination, he then contacted a member of my staff and threatened to testify before this committee unless I would be willing to grant him a paid sabbatical for 6 months. University procedures provide, as a matter of right, a paid sabbatical for a full-time faculty member after he has completed 7 consecutive years of service at Howard University. The faculty member, together with the concurrence of the Department Chairman and faculty may elect to take 6 months full pay as a sabbatical or a 1 year sabbatical at one-half pay. But, in any case, this is not a privilege but a right and it is available only after a full-time faculty member has been employed for 7 consecutive years. In the case of this individual, he did not have full-time service for 7 consecutive years and therefore, no such entitlement was due him. Now Mr. Chairman, let me get to the substance of your questions. I felt that this background was necessary in order that you and other members of the committee as well as others who will read his testimony would be aware of the reasons for these allegations.

According to our records, there are 22 full-time faculty members in the department of Economics. The racial composition of these 22 full-time faculty members are 5 white, 10 black, (5 Black-Americans and 5 Carribeans and African members), and 7 Asian or Far Eastern nation members. Of the 22 full-time faculty members, we have 2 full time female members both of whom are white who do not have tenure at this time. The department also has 1 part-time female member who is Black. It was the concensus of the tenured full-time faculty members and the Chairman not to recommend tenure to the former Howard University Faculty member who testified before your committee last year. Hopefully, you can see that his allegation of racial and sexual discrimination concerning his appointment as a tenured faculty member is without merit.

The charges that the University Library did not have available a number of the required readings for the basic economic courses such as Wealth of Nations, Das Capital, and others, because the library did not own such volumes is utterly false. The University Librarian has reported to me that these books were available during the entire period that the professor was employed at Howard University and the books are still available at the University Library. In fact, the Librarian has reported that he has 7 copies of Adams Smith's Inquiry into the Wealth of Nations, 1776; 7 copies of Das Capital by Karl Marx and 5 copies of The General Theory of Employment Entries by John Maynard Keynes. There were 2 copies of each of these titles on reserve at the library at all times. On reserve means that the books cannot be taken out of the library by the students but can be used within the confins of the library for required reading.

Our records show that on the average, graduate students in the Department of Economics, have a first time comprehensive examination pass rate of 60 to 65 percent. They are permitted to take the comprehensive examination only twice. In specific areas of concentration, the pass rate may be higher than the reported 60 to 65 percent. The 90 percent failure rate provided the committee by the former faculty member is simply not substantiated by the facts from data submitted by the Chairman of the Department of Economics.

Howard University does not subscribe to racial, sexual or religious discrimination in any form or manner whatsoever. However, we simply cannot afford to ignore the concept of peer review by faculty members and substitute the judgment of the President or other administrators in recommending permanent tenure to an individual merely because he claims discrimination. I personally would find it very difficult to believe that the former faculty member in the Department of Economics was a victim of racial discrimination given the racial composition of the faculty in the department. It is also my judgment that the record should fully set forth the facts in this case since the former faculty member has made allegations that are not substantiated by facts and these types of allegations should not go unanswered.

CONSTRUCTION FUNDS

Question: Last July, the General Counsel rendered an opinion that Howard University was not eligible for college housing loans or other construction assistance, during fiscal years 1981 and 1982, because it had already received construction funds within its own construction account.

In fiscal year 1983, no construction funds were requested for Howard, yet we understand that the University was interested in receiving federal funds for construction.

Was the University able to obtain these funds? If so, under what authority or program? How much was obtained?

Answer: The opinion of the General Counsel of the Department of Education to the effect that Howard University was not eligible for college housing loans or other construction assistance because it had already received construction funds within its own construction account was rescinded; thereby, making Howard University eligible to receive college housing program funds. However, during fiscal year 1982, when the General Counsel's opinion was promulgated, the University's application for funds to purchase a much needed student residence facility accommodating 341 students was not considered. In fiscal year 1983, when the General Counsel's opinion was rescinded, our application for college housing funds was considered, but was denied. To date, the University has not been able to obtain funds to purchase the student residence facility mentioned above. It may be well to note that the University did receive a college housing loan in fiscal year 1979 and the college housing loan reservation authority in fiscal year 1981.

The University made application for competitive construction funds under the College Housing Act and other competitive construction funds at the suggestion of members of the House of Representative and Senate Sub-committees on Appropriation. The 1983 Appropriation for Howard did not include a request for construction funds because of the statutory ceiling on our appropriation.

THE HOWARD INN (FORMERLY HARAMBEE HOUSE)

Mr. Chairman, I should also report to you that Howard University acquired the former Harambee House by financing the acquisition through a bank loan. In addition, no funds were sought or utilized to date for renovations or general operations of The Howard Inn (formerly The Harambee House) from federal appropriations. The Howard Inn is an integral part of our educational program in the School of Business and Public Administration as the teaching laboratory for the Department of Hotel and Motel Management. The program is considered critical to our overall educational mission because Blacks and other minorities are simply not represented in this industry in management, ownership and other specialized career positions. The leisure industry continues to be a thriving one and if minorities are to become an integral part of our nation, we simply cannot afford to ignore career opportunities for thousands of students who would not otherwise have the proper training to qualify for these positions.

COMPENSATION OF ADMINISTRATIVE OFFICERS, DEANS AND FACULTY

Question: For the record, please provide a list of salaries and benefits, including expense accounts and fringe benefits for the President, Administrative officials, deans and faculty.

Answer: I am providing the requested information for the President, Administrative Officials and Deans by compensation range. I am also providing schedules of faculty salaries, by rank, both average and median salary for faculty members in the Academic Affairs division and in the Health Affairs division:

HOWARD UNIVERSITY
Compensation Range
(Includes Salary and Commutation)

RANGE	AT LEAST	NOT MORE THAN
A	$125,000	$160,000
B	$100,000	$125,000
C	$ 75,000	$100,000
D	$ 50,000	$ 75,000
E	$ 25,000	$ 50,000
F	$ 1,000	$ 25,000

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
President	A	Provided University Housing & use of Auto
General Counsel	C	---
Executive Assistant to the President	C	---
Special Assistant to the President	C	Provided use of Auto
Vice President for Development and University Relations	C	---
Vice President for Business and Fiscal Affairs-Treasurer	B	Provided use of Auto
Vice President for Administration and Secretary of the University	C	Provided use of Auto
Vice President for Student Affairs	C	Provided use of Auto
Vice President for Academic Affairs	B	---
Vice President for Health Affairs	B	Provided use of Auto

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
Graduate School of Arts and Sciences	C	---
School of Social Work	D	---
College of Liberal Arts	D	---
School of Human Ecology	D	---
School of Business and Public Administration	C	---
School of Education	D	---
School of Communications	D	---
School of Engineering	D	---
School of Architecture & Planning	D	---
College of Fine Arts	D	---
School of Law	C	---
School of Divinity	D	---
College of Medicine	B	---
College of Dentistry	C	---
College of Pharmacy and Pharmacal Sciences	D	---
College of Nursing	D	---
College of Allied Health	D	---
Graduate School of Arts & Sciences		
Associate Dean	E	---
Associate Dean	E	---
Associate Dean	D	---
School of Social Work		
Associate Dean	E	---
College of Liberal Arts		
Associate Dean	D	---
Associate Dean	D	---
School of Human Ecology		
Associate Dean	E	---

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
School of Business and Public Administration		
Associate Dean	D	---
School of Education		
Associate Dean	D	---
School of Communications		
Associate Dean	E	---
Associate Dean	E	---
School of Engineering		
Associate Dean	E	---
School of Architecture and Planning		
Associate Dean	E	---
School of Law		
Associate Dean	D	---
College of Medicine		
Associate Dean	D	---
Associate Dean	D	---
College of Dentistry		
Associate Dean	D	---
Associate Dean	D	---
Associate Dean	D	---
College of Pharmacy and Pharmacal Sciences		
Associate Dean	E	---
College of Allied Health		
Associate Dean	E	---

Academic Affairs Division
Schedule of Faculty Salaries
By Rank, Average and Median

Rank	Average	Median
Professor	$ 41,032	$ 39,862
Associate Professor	$ 32,033	$ 31,153
Assistant Professor	$ 26,032	$ 25,498
Instructor	$ 21,918	21,556

Health Affairs Division
Schedule of Faculty Salaries
By Rank, Average and Median

Rank	Average	Median
Professor	$ 54,396	$ 53,700
Associate Professor	$ 40,910	40,154
Assistant Professor	$ 33,302	$ 32,650
Instructor	$ 26,712	$ 28,900

Question: What efforts are being made to increase alumni support?

Answer: Efforts made to increase alumni support include: (1) direct mail solicitation; (2) direct solicitation for individual major gifts; (3) fundraising receptions for multiple major gifts; (4) phonathons; (5) special events and mailings to heighten awareness among alumni of the University's programs and need for support; (6) efforts to increase awareness of incoming freshmen of their responsibility as alumni after leaving the University; and, (7) special efforts for graduating seniors which include a request for their first contribution as alumni.

Direct Mail - The direct mail program aims to reach, in a cost effective manner, all graduates. The mail program is a mechanism to solicit the smaller gifts while personal solicitations are restricted to major gifts. While smaller gifts are the primary target of direct mail, many large donors are discovered in this manner. As of March 31, 1983 direct mail gifts and pledges for fiscal year 1983 totaled $272,456. This represents an increase of $90,077 over the amount received for the same period in fiscal year 1982.

The direct mail is an aggressive program in that mailings are done often and coincide with the times of the year individuals are most apt to contribute. Mailings are also used to educate alumni as to the University's needs.

Direct Solicitation - This method is used to solicit gifts of not less than $500 each. It also includes solicitation of individuals capable of making major multi-year pledges. Identification of prospects in this category is accomplished in several ways: (1) individuals who respond to the direct mail with contributions above $250; (2) available information on the positions alumni hold, which can be a very real indicator of giving potential; and (3) current major alumni donors are requested to give the names of other alumni who can give at the major gift level.

Fundraising Receptions - This mechanism is used to solicit as a group those alumni who can make gifts and pledges of at least $10,000. Special efforts are made to locate those individuals who have the means of making $25,000+ commitments.

Phonathons - This is an effort to reach those alumni who have not made contributions in response to direct mail appeals. The University is currently conducting a phonathon which will run through April 21. After only two evenings of operation, the phonathon has resulted in 21 pecent of those being called making a pledge. The phonathon is staffed by University students, administrators, faculty and graduates.

Special Events and Mailings - Specific special events are tailored to educate alumni as to the University's programs and need for support. One of the most successful is the Alumni Weekend. Potential major donors from several of the University's schools and colleges are identified and invited to participate. Class reunions are also utilized for the purposes of heightening awareness and soliciting contributions.

The University's founding day celebration (Charter Day Dinner) has in recent years evolved into a major fund raiser with ticket prices comparable to other non-profit organizations' fundraising events.

Alumni receive frequent mailings which are utilized to inform graduates of the need for their support. Alumni News has been particularly useful for this purpose. In addition to providing news on the University's programs, fundraising activities receive special emphasis.

Student activities - Incoming freshmen receive as part of their orientation -- through talks, audio-visuals and printed material -- information to inculcate in them a sense of their responsibilities to the University when they graduate. This includes a well-rounded discussion of the University's program needs and the importance of private, particularly alumni, support.

Graduating seniors are requested through discussions and personal letters to keep the University abreast of their progress and, are encouraged to start their financial support of the University at the earliest possible time.

PRESIDENT'S SALARY

Question: How does the salary of the president of Howard compare with that of other presidents of predominately Black Universities?

Answer: We do not have available salaries of the presidents of other predominately Black educational institutions. Howard University is the only comprehensive predominately Black university and even if there were others, such data are not normally available to us for comparative purposes.

Question: How does the salary of the president of Howard compare with that of other presidents of universities which have a roughly equivalent number of students?

Answer: The salary data of presidents of other universities with an equivalent number of students are not available to Howard University, and therefore, we cannot provide comparative data. Educational institutions, historically, do not establish the

President's salary based on the number of students enrolled. The normal criteria used are (1) the complexity of the institution; (2) the size of the institution; i.e., multi-campus, types of enterprises, etc.; (3) whether the institution is private or public; (4) the specific job criteria of the position of President established by the Board of Trustees and (5) the credentials and qualifications of the individual. We are not aware of a salary being established for the president of any educational institution based on the size of student enrollment.

SCHOOLS AND COLLEGES OF HOWARD UNIVESITY

Question: Please list each of the schools which comprise Howard University. What is the budget for each of the schools? How many students are enrolled at each of the schools?

Answer: Howard University is comprised of 17 schools and colleges as listed. A summary of the budgets for each of these schools and colleges are presented as well as the enrollment for each of the schools. It should be noted for the record that the School of Divinity does not receive any Federal funds.

Schools/Colleges	1982-1983 Total Budget	Total Enrollment
Liberal Arts	$14,845,051	3,639
Allied Health	$ 1,339,144	388
Architecture and Planning	$ 1,374,994	326
Business and Public Administration	$ 3,136,992	1,749
Communications	$ 4,870,646	760
Education	$ 2,211,830	282
Engineering	$ 3,263,703	886
Fine Arts	$ 2,745,127	367
Human Ecology	$ 1,256,673	476
Nursing	$ 1,170,561	216
Pharmacy and Pharmacal Sciences	$ 1,994,093	66
Social Work	$ 1,456,121	290
Graduate School of Arts and Sciences	$ 4,807,691	1,449
Medicine	$15,518,762	511
Law	$ 2,969,770	592
*Divinity	$ 548,968	183
Dentistry	$ 8,561,864	509

*=Receives no Federal funding

1982/83 UNIVERSITY BUDGET AND ADMINISTRATIVE COST

Question: Please submit the 1982-83 actual operating budget for the University, including construction, the hospital and the federal appropriation. What percentage of the total budget was spent on Administration? What percentage of the direct federal appropriation was spent on administration?

Answer: A summary statement of the 1982-83 actual operating budget for the University and for the Howard University Hospital is presented as requested. The University does not budget construction on an annual basis but we are presenting a listing of construction projects that have not been completed with related available funding as of June 30, 1982. The percentage of the total

University budget spent on Administration is 10 percent. The University did not spend any of the direct Federal Appropriation on Administration except for the non-faculty salary increases that are provided on an annual basis for non-faculty personnel. The exact amount over the years is not available since we do not maintain records in this manner. No other portion of the direct Federal Appropriation is spent in the area of Administration.

HOWARD UNIVERSITY BUDGET
June 30, 1983

	Amount
REVENUE	
Student Fees-Tuition	$ 20,725,000
Student Fees-Other	3,731,000
Endowment Income	522,000
Government Appropriation	123,094,000
Gifts and Grants	24,116,982
Sales and Services-Educational Departments	56,800
Organized Activities-Educational Departments	278,900
Other Income	2,535,000
Total Educational and General	$ 175,059,682
Auxiliary Enterprises	10,021,306
Student Aid	2,500,000
Total Income	$ 187,580,988
Provision for Unrealized Revenue	9,433,136
Total Revenue Budget	$ 197,014,124
EXPENDITURES	
Administration and General Expenses	$ 45,975,699
Resident Instruction and Departmental Research ..	88,434,762
Organized Research	18,417,750
University Libraries System	11,342,137
Operation and Maintenance of Physical Facilities.	18,667,902
Total Educational and General	$ 182,838,250
Auxiliary Enterprises	10,291,030
Student Aid	3,884,844
Total Expenditures Budget	$ 197,014,124

HOWARD UNIVERSITY

CONSTRUCTION BALANCES
For Period Ending June 30, 1982

	6/30/82 Balances Unobligated
Planning	
Beltsville Campus	$ 1,435.15
Updating 1966 Plan	---
Freedmen's Square	---
Site Planning and Development	187.01
University Hospital Pavilion	640.32
Feasibility Study-Physics and Sherman Ave. Classroom Bldg.	53,042.89
Feasibility Study-Campus Building Renovations	119,287.88
Land Acquisition	
Dunbarton Campus	491,995.62
Renovations	
Chemistry Building	55,201.73
Founders' Library Renovations	3,331.26
Power Plant Facilities	406.13
Warehouse Service Building	3,817.55
Women's Dorm #8 (Meridian)	---
D.C. Code Renovations	1,427.60
Power Plant - EPA Renovations	2,045.54
Sherman Avenue (Business School)	17,886.49
Freedmen's Hospital Renovations	1,147,657.86
Residence Hall Renovations	1,128,730.93
Power Plant Improvement	(3,053.98)
Energy Conservation Measures	1,728,952.15
Removal of Architectural Barriers	1,179,108.82
Fine Arts Building Renovations	1,166,407.51
Building Construction	
Classroom Building #2 (Locke Hall)	---
Classroom Building #4	---
Dental Building (4th & 5th Floors)	216.67
Engineering-Chemical Engineering Addition	11,568.42
Founder's Library Expansion	230,886.08
Medical-Dental Library Expansion	334,826.27
Social Work Building	36.10
University Center (H.U.)	2,685.56
University Hospital (H.U.)	---
Women's Dorm #7	---
Equipment	
University Hospital Equipment	(522.78)
University Center Equipment	(4,298.21)

HOWARD UNIVERSITY HOSPITAL
BUDGET
June 30, 1983

	Amount In Thouands
Patient Revenue	$108,326
Deduction from Revenue	(36,922)
Net Patient Revenue	71,404
Other Operating Revenue	29,088
Total Operating Revenue	$100,492
Operating Expenses	
Personnel Compensation	$ 54,409
Employee Benefits	10,712
Professional Fees	2,095
Medical Surgical Supplies	9,992
Non Medical Surgical Supplies	4,386
Utilities	4,927
Purchased Services	3,633
Other Direct Expense	5,433
Rental and Lease	701
Depreciation	3,591
Total Operating Expense	$ 99,879
Net Income from Operations	613
Non Operating Income	900
Excess of Revenue over Expense	$ 1,513

1983-84 UNIVERSITY BUDGET AND ADMINISTRATIVE COST

Question: Please submit the estimated total operating budget for 1983-84, including construction, the hospital and the Federal Appropriation. What percentage of the total budget is projected to be spent on administration? What percentage of the direct federal appropriation is projected to be spent on administration?

Answer: The Howard University Board of Trustees has not yet approved a 1983-84 budget for the operation of Howard University or the Howard University Hospital. Therefore, we cannot provide the data at this time. It is estimated, on a preliminary basis, that the total amount of the Howard University budget for administration will not exceed the range of 10-11 percent. We do not anticipate spending any of the direct Federal Appropriation on administration except for those clerical persons who may be designated under the category of administration for non-faculty salary increases, if approved.

SOURCES OF FUNDING

Question: Please provide a detailed list of sources of funding for the following academic years: 1979-80, 1980-81, 1981-82, 1982-83 and estimated sources of funding for 1983-84. This information should identify; direct federal funding, direct funding from the local government, and indirect sources of federal funds, i.e. grants, contracts, and tuition assistance private contributions and alumni contributions.

Answer: We are enclosing the applicable sections of our audited financial statements on actual revenue for the requested academic years with the exception of the years 1982-83 because we have not yet closed the year and the audited data are not available. For the 1982-83 fiscal year we can provide only the estimated budget for that year. The sources of funds for 1983-84 are approximately the same as for 1982-83 but the exact revenue estimates are not currently available.

HOWARD UNIVERSITY
Statement of Current Funds Revenues
Year ended June 30, 1980

	1980		
	Unrestricted	Restricted	Total
Revenue:			
Tuition and fees	$ 19,598,463	-	$ 19,598,463
Federal appropriations	113,239,002	-	113,239,002
Federal grants and contracts	4,184,615	20,681,718	24,866,333
State and local grants and contracts	55,733	947,860	1,003,593
Private gifts, grants and contracts	1,109,042	3,655,247	4,764,289
Endowment income	381,864	451,029	832,893
Sales and services:			
Educational departments	631,164	-	631,164
Auxiliary enterprises	6,686,403	-	6,686,403
Hospital	50,259,362	-	50,259,362
Investment income and other sources	3,681,220	-	3,681,220
Total revenues	$199,826,868	$25,735,854	$225,562,722

Howard University
Statement of Current Funds Revenues
Year ended June 30, 1981

	1981		
	Unrestricted	Restricted	Total
Revenue:			
Tuition and fees	$ 22,576,568	-	$ 22,576,568
Federal appropriations	120,780,500	-	$120,780,500
Federal grants and contracts	3,422,720	24,031,598	27,454,318
State and local grants and contracts	23,999	778,187	802,186
Private gifts, grants and contracts	505,785	4,174,364	4,680,149
Endowment income	768,916	465,303	1,234,219
Sales and services:			
Educational departments	595,972	-	595,972
Auxiliary enterprises	8,655,869	-	8,655,869
Hospital (note 8)	54,803,472	-	54,803,472
Investment income and other sources	4,245,121	-	4,245,121
Total revenues	$216,378,922	$29,449,452	$245,828,374

	1982		
	Unrestricted	Restricted	Total
Revenue:			
Tuition and fees	$ 26,510,038	-	$ 26,510,038
Federal appropriations	129,124,976	-	129,124,976
Federal grants and contracts	4,218,410	23,397,936	27,616,346
State and local grants and contracts	39,640	528,325	567,965
Private gifts, grants and contracts	602,997	5,298,065	5,901,062
Endowment income	558,011	432,855	990,866
Sales and services:			
Educational departments	5,702,268	-	5,702,268
Auxiliary enterprises	5,709,951	-	5,709,951
Hospital (note 8)	61,633,835	-	61,633,835
Investment income and other sources	4,806,005	-	4,806,005
Total revenues	$238,906,131	$29,657,181	$268,563,312

Howard University
Revenue Budget
June 30, 1983

Revenue	Amount
Student Fees-Tuition	$ 20,725,000
Student Fees-Other	3,731,000
Endowment Income	522,000
Government Appropriation	123,094,000
Gifts and Grants	24,116,982
Sales and Services-Educational Departments	56,800
Organized Activities-Educational Departments	278,900
Other Income	2,535,000
Total Educational and General	$ 175,059,682
Auxiliary Enterprises	10,021,306
Student Aid	2,500,000
Total Income	$ 187,580,988
Provision for Unrealized Revenue	$ 9,433,136
Total Revenue Budget	$ 197,014,124

COMPENSATION OF ADMINISTRATIVE OFFICERS AND DEANS

Question: Please provide the exact salaries and fringe benefits of the President, all Vice Presidents, all Deans, and all Asssociate Deans.

Answer: The following data are supplied in a Compensation Range as follows:

Howard University

Compensation Range
(Includes Salary and Communtation)

RANGE	AT LEAST	NOT MORE THAN
A	$125,000	$160,000
B	$100,000	$125,000
C	$ 75,000	$100,000
D	$ 50,000	$ 75,000
E	$ 25,000	$ 50,000
F	$ 1,000	$ 25,000

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
President	A	Provided University Housing & use of Auto
General Counsel	C	---
Executive Assistant to the President	C	---
Special Assistant to the President	C	Provided use of Auto
Vice President for Development and University Relations	C	---
Vice President for Business and Fiscal Affairs-Treasurer	B	Provided use of Auto
Vice President for Administration and Secretary of the University	C	Provided use of Auto
Vice President for Student Affairs	C	Provided use of Auto
Vice President for Academic Affairs	B	---
Vice President for Health Affairs	B	Provided use of Auto
Graduate School of Arts and Sciences	C	---
School of Social Work	D	---
College of Liberal Arts	D	---
School of Human Ecology	D	---
School of Business and Public Administration	C	---
School of Education	D	---
School of Communications	D	---
School of Engineering	D	---
School of Architecture & Planning	D	---
College of Fine Arts	D	---
School of Law	C	---

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
School of Divinity	D	---
College of Medicine	B	---
College of Dentistry	C	---
College of Pharmacy and Pharmacal Sciences	D	---
College of Nursing	D	---
College of Allied Health	D	---
Graduate School of Arts & Sciences		
Associate Dean	E	---
Associate Dean	E	---
Associate Dean	D	---
School of Social Work		
Associate Dean	E	---
College of Liberal Arts		
Associate Dean	D	---
Associate Dean	D	---
School of Human Ecology		
Associate Dean	E	---
School of Business and Public Administration		
Associate Dean	D	---
School of Education		
Associate Dean	D	---
School of Communications		
Associate Dean	E	---
Associate Dean	E	---
School of Engineering		
Associate Dean	E	---
School of Architecture and Planning		
Associate Dean	E	---
School of Law		
Associate Dean	D	---
College of Medicine		
Associate Dean	D	---
Associate Dean	D	---

HOWARD UNIVERSITY
Compensation for Administrative Officers and Deans

Title	Salary and Commutation	Other Benefits
College of Dentistry		
Associate Dean	D	---
Associate Dean	D	---
Associate Dean	D	---
College of Pharmacy and Pharmacal Sciences		
Associate Dean	E	---
College of Allied Health		
Associate Dean	E	---

COMPENSATION OF ADMINISTRATION ASSISTANTS AND AIDES

Question: Please provide a listing of annual compensation for "Assistants" and "Aides" etc. which each of the officers of the University has.

Answer: The data are supplied in a Compensation Range as follows:

HOWARD UNIVERSITY
Compensation Range
(Includes Salary and Commutation)

RANGE	AT LEAST	NOT MORE THAN
A	$125,000	$160,000
B	$100,000	$125,000
C	$ 75,000	$100,000
D	$ 50,000	$ 75,000
E	$ 25,000	$ 50,000
F	$ 1,000	$ 25,000

Title	Salary Range
Office of the President	
Executive Assistant	C
Special Assistant to the President	C
Administrative Assistant	D
Vice President for Development and University Relations	
Executive Assistant to the Vice President	D
Assistant for Federal Affairs	E
Administrative Assistant	E
Vice President for Business and Fiscal Affairs Treasurer	
Assistant Treasurer	C
Executive Assistant	C
Assistant Treasurer	D

ADMINISTRATIVE COSTS

Question: What proportion of Howard's budget goes for administrative functions, and how does this sum compare to that spent at other universities (As a percentage of the total expenditures of the University)?

Answer: Approximately 10 percent of Howard University's budget is spent for administrative functions. We do not know what percentage of other universities budgets are spent for administrative functions since that information is not available to us. However, at the request of this committee the General Accounting Office performed an examination of administrative expenses of Howard University on March 12, 1982. According to their report it was stated that "for the 1981 fiscal year Howard University's administrative expenses were about 10 percent of educational and general expenditures, a percentage more comparable to that of similar universities".

COMPENSATION OF HIGHEST PAID PROFESSOR

Question: What is the annual compensation of the highest paid full professor at Howard?

Answer: According to our records, the annual compensation of the highest paid full professor at Howard University is $81,500.00.

COMPENSATION OF HEAD LIBRARIAN AND PRINCIPAL ASSISTANTS

Question: What is the annual compensation of the head of the Library and his or her principal assistants?

Answer: The data are listed as follows:

Director	$70,584
Deputy Director	$60,825
Associate Director	$52,708

BUDGET OF GRADUATE SCHOOL OF ARTS AND SCIENCES

Question: Please provide an accounting of funds to be allocated to the Graduate School for Arts and Sciences. (This listing should include the salaries of the Dean, Associate Deans, Assistant Deans, Secretaries and other expenditures, as well as those for "Special Assistants" and the like).

Answer: The data are as follows:

GRADUATE SCHOOL
OFFICE OF THE DEAN

Salaries

Dean $83,602 12 Mos.	$	83,924.00
Associate Dean $50,317 12 Mos. Unallocated		1,091.00
@49,230 6/30/84		49,420.00

GRADUATE SCHOOL
OFFICE OF THE DEAN

Associate Dean $43,400 12 Mos	43,567.00
Associate Dean $56,039 12 Mos	56,255.00
Associate Dean $43,348 12 Mos	3,840.00
Assistant to the Dean for Educational Affairs $37,180 12 Mos	3,600.00
Administrative Assistant HA-11/8 $35,436 12 Mos	35,573.00
Administrative Assistant	77.00
Budget & Accounting Office HA-12/6 $36,361 12 Mos	36,501.00
Rate 7 6/10/84	106.00
Coordinator HA-9/6 $25,602 12 Mos	25,701.00
Rate 7 8/7/83	1,169.00
Research Assistant $29,675 10 Mos	29,675.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Teaching Assistant ½T $5,200 10 Mos	5,200.00
Assistant Special Function $36,960 12 Mos	37,103.00
Assistant Special Function HA-12/8 $40,127 12 Mos	40,282.00
Assistant Special Function HA-7/5 $19,229 12 Mos	19,303.00
Rate 6 10/2/83	747.00
Administrative Secretary HA-10/8 $31,534 12 Mos	31,656.00
Administrative Secretary HA-9/7 $26,895 12 Mos	26,999.00
Rate 8 9/4/83	1,123.00
Secretary HA-9/6 $25,602 12 Mos	25,701.00
Rate 7 5/27/84	125.00
Secretary HA-8/6 $22,769 12 Mos	22,857.00
Rate 7 12/1/83	656.00
Secretary HA-9/8 $28,257 12 Mos	28,362.00

Secretary HA-8/4 $20,585 12 Mos	20,665.00
Rate 5 8/7/83	962.00
Secretary HA-8/7 $23,944 12 Mos	24,037.00
Rate 8 6/10/84	70.00
Secretary HA-8/7 $22,769 12 Mos	22,857.00
Rate 7 4/29/84	204.00
Administrative Secretary HA-9/6	
$25,602 12 Mos	25,701.00
Rate 7 9/4/83	1,070.00
Receptionist/Clerk HA-5/3 $14,132 12 Mos	14,187.00
Rate 4 1/8/84	351.00
Total Salaries	$ 746,717.00

Supplies and Expenses	
Travel	10,403.00
Rents and Utility Services	3,000.00
Printing and Reproduction	14,580.00
Other Services	9,125.00
Supplies and Materials	32,247.00
Total	$ 69,335.00

SUMMARY
GRADUATE SCHOOL
OFFICE OF THE DEAN

Salaries	$ 746,717.00
Wages	1,000.00
Staff Benefits	81,747.00
Supplies and Expenses	69,355.00
Telephone	5,885.00
Equipment	---
Student Aid	46,800.00
Total	$ 951,504.00

BUDGET OF UNIVERSITY PRESS, WHUR-FM AND WHMM-TV

Question: What is the annual operation expenditure for (a) the Howard University Press (b) the Howard University TV Station and (c) the Howard University Radio Station?

Answer: The data are listed as follows:

	Howard University Press	Radio Station WHUR-FM	Television Station WHMM-TV
Salaries	$360,135	$ 940,111	$1,871,283
Wages	---	35,000	34,469
Staff Benefits	60,138	128,738	254,534
Supplies and Expenses	197,616	347,806	1,209,049
Equipment	---	50,000	187,300
Total	$617,889	$1,501,655	$3,556,635

The Howard University Press and the Howard University Radio Station are both revenue producing operations and, to a great extent, these expenditure budgets are offset by the revenue generated from their operations. During the 1982/83 fiscal year, it is estimated that revenue earned from these two sources will approximate $2,360,000. With respect to the Howard University TV Station, it is important to emphasize that both the radio and TV stations are integral components in the training of students enrolled in the School of Communications and other schools of the University, (i.e. Engineering, Business Administration and Fine Arts).

BUDGET OF OFFICE OF GENERAL COUNSEL

Question: Please provide a detailed accounting of the office of the General Counsel of the University, including exact salaries, operating expenditures, etc.

Answer: The data are as follows.

OFFICE OF GENERAL COUNSEL

General Counsel	$	89,000.00
Executive Assistant HA 10/8 $31,534 12 Mos		31,656.00
Assistant General Counsel HA 14/7 $49,983 12 Mos		50,176.00
Rate 8 10/2/83		1,893.00
Assistant General Counsel $50,184 12 Mos		50,378.00
Associate General Counsel $54,365 12 Mos		54,575.00
Staff Advisor $31,110 12 Mos		31,230.00
Special Assistant to the General Counsel HA 12/5		
$34,613 12 Mos		34,747.00
Rate 6 10/30/83		1,177.00
Legal Assistant to the General Counsel HA 9/5		
$24,373 12 Mos		24,467.00
Rate 6 10/30/83		828.00
Paralegal Associate HA 8/3 $19,574 12 Mos		19,650.00
Rate 4 3/4/83		331.00
Secretary HA 8/1 $17,698 12 Mos		17,767.00
Total Salaries	$	407,875.00

Supplies and Expenses

Travel	$ 900.00
Transportation of Things	---
Rents and Utility Services	---
Other Services	18,950.00
Supplies and Materials	2,142.00
Total Supplies and Expenses	$ 24,992.00

SUMMARY
OFFICE OF THE GENERAL COUNSEL

Salaries	$ 407,875.00
Wages	---
Staff Benefits	38,473.00
Supplies and Expenses	24,992.00
Telephone	2,159.00
Commutation	10,000.00
Equipment	---
Total	$ 483,499.00
Less: Reimbursement from University Hospital	$ 6,000.00
Net	$ 477,499.00

AVERAGE SALARY OF SECRETARIES

Question: What is the average salary of the University's secretaries? (Perhaps they could be divided into several groups depending on length of service.) Please provide a listing of secretaries and their salaries for the Office of the Vice President for Academic Affairs and the Graduate Schools Office.

Answer: According to the information provided by the University Personnel Office, the average salary of secretaries at Howard University is $19,229. The listing of secretaries and their salaries for the Office of the Vice President for Academic Affairs and the Office of the Dean of the Graduate School of Arts and Sciences are as follows:

VICE PRESIDENT - ACADEMIC AFFAIRS

Secretary	$28,362.00
Secretary	$26,999.00
Secretary	$28,362.00
Administrative Secretary	$27,306.00

OFFICE OF THE DEAN - GRADUATE SCHOOL OF ARTS AND SCIENCES

Administrative Secretary	$25,701.00
Secretary	$22,857.00
Secretary	$24,037.00
Secretary	$20,665.00
Secretary	$28,362.00
Secretary	$22,857.00
Secretary	$25,701.00
Administrative Secretary	$26,999.00
Administrative Secretary	$31,656.00

BUDGETS OF EACH SCHOOL AND COLLEGE OF HOWARD UNIVERSITY

Question: What are operating expenses, including salaries, for each of the colleges of the University (including the Graduate School of Arts and Sciences).

Answer: I am enclosing for the record a summary budget for each of the schools and colleges of Howard University as follows:

HOWARD UNIVERSITY
BUDGET 1982 1983

GRADUATE SCHOOL
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of Dean	$ 586,128	$1,000	$ 76,896	$122,040	$ ---	$ 786,064
Consortium Fees	---	---	---	9,000	---	9,000
Journal of Negro History	---	---	---	24,703	---	24,703
African Studies	548,243	---	72,257	15,033	---	635,533
Instruction	366,675	---	49,578	7,377	---	423,630
Center for Acad Reinforcement	26,958	---	---	---	---	$ 26,958
Communications Arts and Sciences	44,137	---	3,669	---	---	47,806
Curriculum and Teaching	8,400	---	---	---	---	8,400
Educational Leadership and Community Services	4,200	---	---	---	---	4,200
Foundation of Education	4,200	---	---	---	---	4,200
Psycho-Educational Studies	12,600	---	---	---	---	12,600
Mechanical Engineering	60,297	---	8,350	2,309	---	70,956
Art	20,039	---	2,732	---	---	22,771
School of Human Ecology	4,200	---	---	---	---	4,200
Human Development	8,400	---	---	---	---	8,400
Human Nutrition and Food	8,400	---	---	---	---	8,400
Microenvironment Studies and Design	4,200	---	---	---	---	4,200
Botany	124,505	---	11,642	---	---	136,147
Chemistry	202,780	---	11,009	---	---	213,789
Comprehensive Sciences	4,493	---	---	---	---	4,493
Economics	301,069	---	31,669	62,859	---	395,597

HOWARD UNIVERSITY
BUDGET 1982 - 1983

GRADUATE SCHOOL
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Educational Advisory Center	$ 4,200	$ ---	$ ---	$ ---	$ ---	$ 4,200
English	67,200	---	---	---	---	67,200
German/Russian	8,400	---	---	---	---	8,400
History	88,400	---	---	---	---	88,400
Language Laboratory	33,600	---	---	---	---	33,600
Learning Systems	8,400	---	---	---	---	8,400
Mathematics	155,071	---	16,090	7,560	---	178,721
Philosphy	54,171	---	6,371	---	---	60,542
Physics/Astronomy	88,354	---	2,612	---	---	90,966
Political Science	78,972	---	---	---	---	78,972
Psychology	126,112	---	10,663	---	---	136,775
Romance Language	76,422	---	7,119	7,200	---	90,741
Social Sciences	4,200	---	---	---	---	4,200
Sociology/Anthropology	295,782	---	26,831	43,382	---	365,995
Statistical Laboratory	8,400	---	---	---	---	8,400
Zoology	111,113	---	5,280	1,050	---	117,443
Physical Education	20,500	---	2,795	---	---	23,295
Pharmacology	28,407	---	3,987	---	---	32.394
1982 Government Reserve	90,000	---	---	160,000	---	250,000
1983 Government Reserve	---	---	---	307,000	---	307,000
Totals	$3,687,628	$1,000	$349,550	$769,513	$ ---	$4,807,691

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF SOCIAL WORK
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 564,530	$ ---	$ 33,929	$37,309	$ ---	$ 635,768
Instruction	617,804	---	119,998	---	---	737,802
Community Services	20,008	---	7,431	3,600	---	31,039
Office of Vocational Rehabilitation Services	17,980	---	2,451	---	---	20,431
Continuing Education	17,908	---	7,773	5,400	---	31,081
Totals	$1,238,230	$ ---	$171,582	$46,309	$ ---	$1,456,121

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF LIBERAL ARTS
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 344,347	$ ---	$ 47,295	$ 88,228	$ ---	$ 479,870
Pre-Professional Education	51,967	---	7,084	6,076	---	65,127
Botany	355,789	---	49,959	23,284	---	429,032
Chemistry	921,492	---	128,627	88,447	---	1,138,566
Classics	259,188	---	36,327	5,004	---	300,519
College Research	62,012	---	8,599	1,035	---	71,646
Comprehensive Sciences	115,054	---	15,526	7,350	---	137,930
Economics	489,551	---	68,339	6,899	---	564,789
Educational Advisory Center	361,057	---	50,335	7,197	---	418,589
English	1,092,996	---	152,254	15,925	---	1,261,175
Geology-Geography	175,754	---	24,467	5,397	---	205,618
German-Russian	332,736	---	46,522	5,197	---	384,455
History	919,004	---	127,757	39,794	---	1,086,555
Honors Program	24,794	---	3,353	2,953	---	31,100
Humanities	20,008	---	2,740	2,334	---	25,082
Afro-American Studies	235,683	---	32,975	28,723	---	297,381
Language Laboratory	113,199	---	15,027	12,071	---	140,297
Learning Systems	127,171	---	17,177	6,665	---	151,013
Mathematics	827,971	---	116,073	17,223	---	961,267
Military Science - Aerospace Studies	15,098	---	2,058	5,610	---	22,766
Military Science - Army	17,285	---	2,356	8,097	---	27,738
Philosophy	269,690	---	37,698	3,259	---	310,647

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF LIBERAL ARTS
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Physical Education	$ 765,418	$ ---	106,726	28,111	---	$ 900,255
Physics/Astronomy	803,363	---	110,706	41,244	---	955,313
Physics and Astronomy-Beltsville Account	---	---	---	2,700	---	2,700
Political Science	963,756	---	134,183	39,615	---	1,137,554
Political Science Citizenship Project	---	---	---	270	---	270
Psychology	690,132	---	96,867	23,913	---	810,912
Romance Language	712,630	---	100,375	9,966	---	822,971
Social Science	150,975	---	21,039	2,572	---	174,586
Sociology/Anthropology	680,527	---	95,969	6,076	---	782,572
Statistical Laboratory	23,982	---	3,133	3,120	---	30,235
Zoology	593,658	---	81,361	41,502	---	716,521
Totals	$12,516,287	$ ---	$1,742,907	$585,857	$ ---	$14,845,051

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF HUMAN ECOLOGY
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of The Dean	$ 253,146	$ ---	$ 34,684	$30,327	$ ---	$ 318,157
Consumer Education and Resource Management	80,842	---	11,282	1,800	---	93,924
Human Development	173,320	---	24,254	1,800	---	199,374
Pre-School Center	---	3,500	---	6,700	---	10,200
Human Nutrition and Food	272,642	---	38,080	2,700	---	313,422
International Studies	69,108	---	9,525	1,800	---	80,433
Macroenvironmental and Population Studies	88,215	---	12,225	1,800	---	102,240
Microenvironmental Studies	120,274	---	16,849	1,800	---	138,923
Totals	$1,057,547	$3,500	$146,899	$48,727	$ ---	$1,256,673

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 189,832	$ ---	$ 25,533	$282,875	$ ---	$ 498,240
Associate Dean	208,234	---	28,441	---	---	236,675
Assistant Dean	20,181	---	2,751	---	---	22,932
Student Services	116,383	---	15,926	---	---	132,309
Coordinator, Graduate Program	14,746	---	2,010	6,786	---	23,542
Subsidy- R1103	---	---	---	2,218	---	2,218
Small Business Development Center	117,589	6,500	16,350	11,999	1,600	154,038
Accounting	288,327	---	40,696	10,936	---	339,959
General Services	313,287	---	62,658	10,265	---	386,210
Health Administration	115,380	---	15,472	8,100	---	138,952
Management	247,568	---	36,669	7,495	---	291,732
Marketing	103,465	---	15,487	2,855	---	121,807
Public Administration	169,966	---	26,934	8,820	---	205,720
Center for Banking Education	106,599	---	15,149	6,009	---	127,757
Finance and Insurance	239,009	---	8,427	7,465	---	254,901
1983 Government Reserve	---	---	---	200,000	---	200,000
Totals	$2,250,566	$6,500	$312,503	$565,823	$1,600	$3,136,992

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF EDUCATION
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 193,326	$ ---	$ 26,422	$46,034	$ ---	$ 265,782
Bureau of Educational Research	82,858	---	11,180	30,429	---	124,467
Curriculum and Teaching	360,899	---	50,312	12,548	---	423,759
Educational Leadership and Community Service	252,207	---	35,187	2,372	---	289,766
Foundations of Education	189,236	---	26,329	3,440	---	219,005
Psychoeducational Studies	765,836	---	106,496	16,719	---	889,051
Totals	$1,844,362	$ ---	$255,926	$111,542	$ ---	$ 2,211,830

HOWARD UNIVERSITY
BUDGET 1982 1983

SCHOOL OF COMMUNICATIONS
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 345,384	$ ---	$ 46,910	$ 94,978	$ 17,486	$ 504,758
Radio, Television and Film	595,445	---	82,493	176,722	562,899	1,417,559
Journalism		418,990	---	58,166	32,870	14,880
Communication Arts and Sciences	900,775	---	121,446	16,270	10,000	1,048,491
Continuing Education and Community Services	117,979	---	16,054	17,164	1,000	152,197
1981 Equipment Reserve	---	---	---	---	230,735	230,735
1982 Government Reserve	---	---	---	500,000	---	500,000
1983 Government Reserve	---	---	---	492,000	---	492,000
Total	$2,378,573	$ ---	$325,069	$1,330,004	$837,000	$4,870,646

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF ENGINEERING
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of The Dean	$ 136,301	$ ---	$ 18,578	$ 26,196	$ ---	$ 181,075
Office of Student Services	180,701	---	24,240	14,415	---	219,356
General Services	---	---	---	20,700	---	20,700
Civil Engineering	528,097	---	70,464	37,484	---	636,045
Computer Learning and Design System	79,359	---	11,772	61,388	---	152,519
Chemical Engineering	220,759	---	30,677	20,946	---	272,382
Electrical Engineering	670,167	---	88,287	33,842	---	792,296
Mechanical Engineering	547,250	---	73,218	34,469	---	654,937
System and Computer Science	282,316	---	33,260	18,817	---	334,393
Totals	$2,644,950	$ ---	$350,496	$268,257	$ ---	$3,263,703

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF ARCHITECTURE AND PLANNING
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 193,981	$ ---	$ 26,440	$61,821	$ ---	$ 282,242
Architecture	573,357	---	77,704	15,842	---	666,903
City Planning	360,013	---	52,336	13,500	---	425,849
Totals	$1,127,351	$ ---	156,480	$91,163	$ ---	$1,374,994

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF FINE ARTS
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 113,097	$ ---	$ 15,104	$ 16,180	$ ---	$ 144,381
University Services	66,912	---	8,459	113,885	---	189,256
Art	529,103	---	74,503	14,235	---	617,841
Art Gallery	35,814	---	4,882	5,258	---	45,954
Drama/Instruction	362,920	---	51,098	14,234	---	428,252
Drama/Production	---	---	---	8,595	---	8,595
Music	823,514	---	114,280	28,511	---	966,305
Center for Ethnic Music	53,214	---	7,329	34,000	---	94,543
1982 Government Reserve	---	---	---	250,000	---	250,000
Totals	$1,984,574	$ ---	275,655	$484,898	$ ---	$2,745,127

HOWARD UNIVERSITY
BUDGET 1982 - 1983

SCHOOL OF LAW
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 459,011	$ ---	$ 62,587	$ 87,468	$ 3,000	$ 612,066
Instruction	1,538,077	---	210,145	---	---	1,748,222
Law Review	---	---	---	45,949	---	45,949
Clinical Education Program	---	---	---	14,691	---	14,691
Civil Litigation Clinic	---	---	---	24,750	---	24,750
Law Library	324,529	---	43,572	25,159	130,832	524,092
Totals	$2,321,617	$ ---	$316,304	$198,017	$133,832	$2,969,770

HOWARD UNIVERSITY
BUDGET 1982 - 1983

THE DIVINITY SCHOOL
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$121,767	$ ---	$15,766	$22,341	$ ---	$159,874
Instruction	311,692	---	43,424	---	---	355,116
Journal of Religious Thought	4,043	---	---	4,500	---	8,543
Church and Ministry	22,384	---	3,051	---	---	25,435
Totals	$459,886	$ ---	$62,241	$26,841	$ ---	$548,968

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF MEDICINE
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 804,950	$ ---	$ 117,024	$107,613	$ ---	$ 1,029,587
Animal Section	293,385	23,874	40,355	156,874	---	514,488
Credits	---	---	---	(179,350)	---	(179,350)
Printing and Reproduction	226,381	---	49,485	2,940	---	278,806
Credits	---	---	---	(121,070)	---	(121,070)
Purchasing	76,059	---	10,339	4,799	---	91,197
Continuing Medical Education	29,348	---	3,892	3,600	---	36,840
Office of Medical Education	290,084	22,094	39,665	52,056	---	403,899
Office of Informational Services	68,522	---	9,277	47,520	---	125,319
Anatomy	754,443	---	106,587	51,134	---	912,164
Biochemistry	632,341	---	87,955	43,875	---	764,171
Community Health &Family Practice	723,709	---	100,343	52,648	---	876,700
Medicine-Internal	1,037,214	---	144,448	23,472	---	1,205,134
Cardiology	201,082	---	27,950	---	---	229,032
Chronic Pulmonary Disease	159,187	---	21,926	---	---	181,113
Non-Teaching Personnel	244,988	---	33,408	---	---	278,396
Dermatology	240,665	---	33,600	2,070	---	276,335
Microbiology	684,557	---	95,209	48,811	---	828,577
Neurology	178,184	---	25,126	5,760	---	209,070
Obstetrics and Gynecology	566,587	---	78,286	10,108	---	654,981
Oncology	167,186	---	23,502	900	---	191,588
Pathology	831,505	---	115,226	48,209	---	994,940
Pediatrics	963,554	---	133,645	14,703	---	1,111,902
Pharmacology	772,017	---	107,397	63,207	---	942,621

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF MEDICINE
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Physical Med & Rehabilitation	$30,116	$ ---	$ 4,105	$ 4,230	$ ---	$ 38,451
Physiology/Biophysics	960,186	---	133,218	55,931	---	1,149,335
Psychiatry	622,464	---	85,962	11,772	---	720,198
Radiology	51,648	---	7,040	6,120	---	64,808
Radiation Therapy	26,100	---	3,558	7,020	---	36,678
Surgery	394,975	---	54,910	25,737	---	475,622
Thoracic Surgery	177,168	---	24,454	---	---	201,622
Neurosurgery	119,190	---	16,653	---	---	135,843
Opthalmology	69,201	---	9,531	---	---	78,732
Orthopedic Surgery	114,286	---	15,783	---	---	130,069
Rhinotolaryngology	30,166	---	4,112	---	---	34,278
Urology	117,873	---	16,256	---	---	134,129
Non-Teaching Personnel	258,628	---	35,251	---	---	293,879
Center for Sickle Cell Disease	131,569	---	18,306	5,564	---	155,439
Non-Teaching Reserve	4,064	---	---	----	---	4,064
Teaching Reserve	29,175	---	---	---	---	29,175
Totals	$13,082,757	$45,968	$1,833,784	$556,253	$ ---	$15,518,762

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF DENTISTRY
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 406,875	$ ---	$ 54,821	$ 82,107	$ ---	$ 543,803
Clinical Dentistry	565,879	---	77,271	377,375	---	1,020,525
Community Dentistry	438,983	---	61,519	14,733	---	515,235
Dental Hygiene	211,108	---	29,613	8,317	---	249,038
Endodontics	404,161	---	56,845	8,806	---	469,821
General Services	776,275	---	106,762	105,094	---	988,131
Histopathology	408,001	---	57,064	8,842	---	473,907
Oral Surgery	536,616	---	74,585	11,408	---	622,609
Orthodontics	418,839	---	58,060	10,540	---	487,439
Pedodontics	479,877	---	66,380	10,306	---	556,563
Periodontics	389,513	---	54,159	9,222	---	452,894
Removable Prosthodontics	560,843	---	77,875	9,209	---	647,927
Restorative Dentistry	825,477	---	115,865	14,830	---	956,163
Roentgenology and Oral Diagnosis	496,128	---	69,132	8,924	---	576,184
Teaching Reserve	1,625	---	---	---	---	1,625
Totals	$6,922,200	$ ---	$959,951	$679,713	$ ---	$8,561,864

HOWARD UNIVERSITY
BUDGET 1982 - 1983

COLLEGE OF PHARMACY
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$ 344,558	$ ---	$ 50,513	$126,492	$ ---	$ 521,563
Biomedicinal Chemistry	215,663	---	30,182	12,478	---	258,323
Pharmacy Practice	605,444	---	105,942	16,478	---	727,864
Pharmaceutics	246,899	---	34,637	14,122	---	295,658
Institute for Post Graduate Studies		1,004	---	137	---	---
Pharmacy Administration	183,744	---	5,800	---	---	189,544
Totals	$1,597,312	$ ---	$ 227,211	$169,570	---	$1,994,093

HOWARD UNIVERSITY
BUDGET 1982 1983

COLLEGE OF NURSING
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$166,465	$ ---	$ 23,060	$83,447	$ ---	$ 272,972
Instruction	46,703	---	6,399	---	---	53,102
Medical	146,670	---	18,904	---	---	165,574
Maternal Child Nursing	174,975	---	21,221	---	---	196,196
Community Mental Health	123,949	---	21,935	---	---	145,884
Nursing Science	151,958	---	20,997	---	---	172,955
Graduate Program	137,809	---	19,223	---	---	157,032
Continuing Education	6,024	---	822	---	---	6,846
Totals	$954,553	$ ---	$132,561	$83,447	$ ---	$1,170,561

HOWARD UNIVERSITY
BUDGET 1982 1983

COLLEGE OF ALLIED HEALTH SCIENCES
SUMMARY

DEPARTMENT	SALARIES	WAGES	STAFF BENEFITS	SUPPLIES AND EXPENSES	EQUIPMENT AND BOOKS	TOTAL
Office of the Dean	$145,434	$ ---	$ 20,587	$ 28,016	$ ---	$ 194,037
Allied Health Education	24,744	---	3,467	4,275	---	32,486
Clinical Nutrition	104,850	---	14,707	3,175	---	122,732
Medical Technology	55,083	---	7,805	7,065	---	69,953
Occupational Therapy	148,865	---	20,408	5,940	---	175,213
Physical Therapy	165,059	---	22,896	5,490	---	193,445
Radiation Therapy	96,700	---	13,560	5,752	---	116,012
Radiologic Technology	100,185	---	14,208	6,705	---	121,098
Physician's Assistant	1,506	---	206	3,175	---	4,887
Teaching Reserve	4,281	---	---	---	---	4,281
1982 Government Reserve	---	---	---	100,000	---	100,000
1983 Government Reserve	---	---	---	205,000	---	205,000
Totals	$846,707	$ ---	$117,844	$374,593	$ ---	$1,339,144

Question: How many of the schools which comprise Howard University are in danger of losing their accreditation?

Answer: The danger of the loss of accreditation by schools and colleges in the University is ever present. Loss of accreditation is possible whenever the unit is inspected by the accreditation authority or when it is determined that the institution does not meet the standards or criteria established by the accreditation body. Accreditation is a continuing process.

Question: Since what date has each of these schools been cited for deficiencies?

Answer: The data follows:

COLLEGE	PROFESSIONAL ACCREDITING ASSOCIATION OR BODY	DATE CITED FOR DEFICIENCIES	EXPECTED YEAR OF RETURN
MEDICINE	Liaison Committee on Medical Education representing the American Medical Association and the Association of American Medical Colleges	November 1976	1984
DENTISTRY	Commission on Dental Accreditation of the American Dental Association	October 1977 Revisited December 1979	1986
General Practice Residency Program	Commission on Dental Accreditation of the American Dental Association	May 1980	1986
NURSING	National League of Nursing	April 1981	1989
PHARMACY AND PHARMACAL SCIENCES	American Council on Pharmaceutical Education	November 1978 Revisited April 1982	1987-88
ALLIED HEALTH SCIENCES			
Clinical Nutrition	Commission on Evaluation of Dietetic Education of the American Dietetic Association	December 1980	1984
Medical Technology	Committee on Allied Health Education and Accreditation	April 1982	1983
Occupational Therapy	Committee on Allied Health Education and Accreditation	January 1982	1987
Physical Therapy	American Physical Therapy Association Committee on Allied Health Education and Accreditation	June 1981	1985
Physician's Assistant	Committee on Allied Health Education and Accreditation	April 1982	1983
Radiation Therapy Technology	Committee on Allied Health Education and Accreditation	July 1982	1983
Radiologic Technology	Committee on Allied Health Education and Accreditation	February 1976	1983

COLLEGE	PROFESSIONAL ACCREDITING ASSOCIATION OR BODY	DATE CITED FOR DEFICIENCIES	EXPECTED YEAR OF RETURN
ARCHITECTURE AND PLANNING	National Architectural Accrediting Board (NAAB)	October, 1981	1984
	American Institute of Certified Planners (AICP)	January, 1981**	1986
BUSINESS AND PUBLIC ADMINISTRATION	American Assembly of Collegiate Schools of Business (AACSB)	January, 1980	1989
COMMUNICATIONS*	American Council of Education for Journalism (ACEJ)	Application submitted 1982	
	American Speech and Hearing Association (ASHA)	Initial Visit 1983	
DIVINITY	American Association of Theological Schools (AATS)	March, 1982	1992
EDUCATION*	National Council on Accreditation for Teacher Education (NCATE)	November, 1978	1984
	National Association of State Department of Teacher Education (NASOTEC)	Initial Visit 1984	
ENGINEERING	Accreditation Board for Engineering and Technology, Inc.	September, 1979	1986

* Indicates that this school is not accredited.

** Monitoring of accreditation is accomplished through submission of reports and requested data rather than through visitation.

COLLEGE	PROFESSIONAL ACCREDITING ASSOCIATION OR BODY	DATE CITED FOR DEFICIENCIES	EXPECTED YEAR OF RETURN
FINE ARTS	National Association of Schools of Art and Design (NASAD)	February, 1976	1983
HUMAN ECOLOGY	Council for Professional Development (CPD)	April, 1975	1985
LAW	American Bar Association (ABA)	November, 1979	No Fixed Visit
	Association of American Law Schools (AALS)	March, 1982	No Fixed Visit
LIBERAL ARTS	Middle States Association of Colleges and Secondary Schools (MSA)	March, 1979	1989
SOCIAL WORK	Council of Social Work Education (CSWE)	October, 1977	1987
University Libraries	Association of Research Libraries (ARL)	February, 1973**	

** Monitoring of accreditation is accomplished through submission of reports and requested data rather than through visitation.

Question: Cite each of the deficiencies for each of the schools.

Answer: The data follows:

ACCREDITING PROBLEMS FACED BY SCHOOLS, COLLEGES AND ACADEMIC SUPPORT SERVICES AT HOWARD UNIVERSITY

The following descriptions of problems, related to accreditation, in each school and college and the University Libraries are related directly to deficiencies, weaknesses or problems contained in the evaluation reports and letters from the respective accrediting bodies, and the Middle States Association of Colleges and Schools.

SCHOOL OF ARCHITECTURE AND PLANNING

The School was visited by a visiting team of the National Architectural Accrediting Board (NAAB) on October 24-28, 1981, to review its program in architecture. As a result of its review, the 5-year Bachelor of Architecture Program was formally accredited for a period of 3 years, effective January 1, 1982. The team was impressed with the improvements in the program that had taken place since the initial advisory visit.

The visiting team expressed certain concerns that need to be addressed by the School. Among these concerns were the following:

> "That the graduate degree become a second professional degree and programs developed to attract students to areas of strengths for concentrated study."
>
> "Appointment of faculty with primary responsibility for graphic courses to demonstrate graphic techniques at the foundation level of the program."
>
> "That a mechanism be developed by the University to allow and encourage these valuable members (valued older faculty members) of the faculty to 'recharge.' Exchange programs, visiting lectureship, sponsored study tours, etc., . . ."

The team also stressed a visiting lecture program as a means of bringing attention and vitality to the program; making students aware of new ideas; and to attempt to focus on the spirit of inquiry, the nature of the creative act, and the uniqueness of the design experience.

SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION

The School of Business and Public Administration was visited by a team from the American Assembly of Collegiate Schools of Business on January 22-25, 1980, for accreditation of its graduate programs. (Accreditation of its undergraduate programs was granted in May 1976) The Committee was concerned about the School's facilities which it termed "third class." It further stated that, "If the program is to draw men and women from industry, emphasize its graduate programs and retain well-qualified faculty, more appropriate facilities will be necessary." It was stated that although some progress has been made, it is still not sufficient. It was also recommended that additional faculty were needed for the Insurance, Finance, and Accounting programs and the Center for Banking Education. Additionally, support personnel are needed to take care of the needs of the faculty.

SCHOOL OF COMMUNICATIONS

The Communications Arts and Sciences Department of the School of Communications anticipates making application for accreditation in 1984-1985. Adequate physical facilities is the most pressing need in this connection.

THE DIVINITY SCHOOL

The Divinity School was visited by the Association of Theological Schools on March 14-16, 1982. The Accrediting Commission renewed the school's accreditation for a period of 10 years.

Among the recommendations made by the accrediting team were the following:

> An increased number of faculty appointments as specified in the University and Divinity School Program, if the present rate of growth in the school is maintained.
>
> "An increased student aid budget and counseling regarding excessive work and study loans."
>
> The implementation of "the Development Program and the additional physical facilities which it will provide."
>
> The "timely development of a religious studies program at the University with close ties to the Divinity School."

SCHOOL OF EDUCATION

The School of Education was visited November 6-8, 1978, by a team from the National Council of Accreditation of Teacher Evaluation. The Report of the visiting team stated "The consensus was that the institution does not provide (physical) facilities essential to support the instructional and research activities of each teacher education program."

SCHOOL OF ENGINEERING

As a result of a visit on September 27-28, 1979, the degree granting programs in chemical, civil, electrical, and mechanical engineering were reaccredited by the Accreditation Board for Engineering and Technology (ABET), formerly the Engineers' Council for Professional Development. The Board commended the university for making improvements in the engineering program but among its general observations were the following: "Funds for supplies, laboratory equipment, and technician support are somewhat low and in need of additional support. Strengthening of the computer faculty and facilities is needed to bring this part of the program up to the desired level."

The space situation has been remedied somewhat by the addition of a wing to the building to house chemical engineering. However, additional space for library and faculty offices is currently needed. New faculty have been added but more are needed to maintain quality of teaching and professional standards. Additional support staff is needed to increase the research capability of the faculty.

The Middle States Evaluation team stressed also the needs for additional full time faculty and equipment in Computer Science.

COLLEGE OF FINE ARTS

The Department of Art, College of Fine Arts, was visited on February 18-20, 1976, by an accreditation team from the National Association of Schools of Art. In April of 1976, the Department was accepted for Recognized Candidacy Status in Division I of the National Association of Schools of Art for a period of 5 years. There must be a formal report from the Department within 3 years which addresses the concern of the visiting team. The team was concerned about "The Master of Fine Arts program . . . for which the Art History requirements and the general faculty and physical resources are quite inadequate," and "equipment, space, and facilities (which) in general are inadequate for the stated purpose and the size of the Bachelor of Fine Arts and the Master of Fine Arts programs as presently constituted." Additionally it was observed that "audiovisual and library resources need to be increased."

The Department of Music, College of Fine Arts, was visited on April 4-5, 1977, by an accreditation team from the National Association of Schools of Music. In November 1977, the Department was continued in good standing (i.e. reaccredited) as a member of the Association for a period of 10 years. Additional scholarship funds were recommended in order to counteract the talent drain occasioned by the recruiting efforts of predominantly white institutions which are implementing their affirmative action programs. The immediate institution of a program to systematically replace the practice pianos (30-40 years old) was also recommended. Improved environmental conditions, including better ventilation and sound isolation, for the practice rooms; more audio equipment, especially tape recorders; and the development of a stronger program of music in general studies were also cited by the visiting committee.

The Middle States Evaluation Team underscored the need for additional space for all 3 major areas of the College, but particularly for the drama program which is currently limited to one classroom. It also recommended that consideration should be given to establishing a Master of Fine Arts program in drama.

GRADUATE SCHOOL OF ARTS AND SCIENCES

Among the recommendations made by the Middle States Evaluation Team were the following:

> "More funds should be made available to support the research activities of the School . . . especially in the area of research assistantships and postdoctoral fellows."
>
> "Increase the number of full time graduate faculty, especially in such areas as: Computer Science, Physical Education, Art, Physics, Engineering, Human Ecology, Education, and Genetics."
>
> "Improve the physical plant, especially in the science programs. This includes providing (an) environment that would be more conducive to excellence in graduate education."

SCHOOL OF HUMAN ECOLOGY

The School was visited on April 9-11, 1975 by a team from the American Home Economics Association. Full accreditation was granted in October, 1975, Although accreditation was granted, the team members noted a need for increased recruitment activity and continued support for the library development program. They also observed that expected enrollment increases would require larger classrooms and additional faculty will be required. The report also stated that "Clerical and technical support services for the faculty are limited."

The Middle States Evaluation Team cited the need for additional faculty in the areas of Human Nutrition and Foods, Macroenvironmental and Population Studies, and Consumer Education and Resource Management. It also recommended serious consideration of a Master's level program in Human Development.

SCHOOL OF LAW

In December, 1974, the Law School was visited by a joint American Bar Association-American Association of Law Schools inspection team. Several concerns were expressed and recommendations made. In fiscal year 1978-1979, the concerns were sufficiently addressed that accreditation could be granted. Among the several recommendations of the visitation team (in 1974) were the following:

1. That the physical plant be made adequate.
2. That the law library be improved substantially.
3. That expanded financial aid for students be made available in order to improve the quality of the student body.
4. Improving and expanding the faculty.

Many of these problems have been addressed with the acquisition of additional budget support, new space facilities, leadership, and an expanded faculty. There are still some physical plant needs--mostly in the area of larger classroom space. The most critical need now in the Law School is funds for student support in order to enable it to attract more able students and assist them sufficiently so that they will not have to work. Some additional staff for intensive work with students who need supplementary instruction in basic skills are also needed. Additional faculty are needed to reduce the student-faculty ratio.

In addition to the above, the Middle States Evaluation Team stressed the need for an evening program.

SCHOOL OF SOCIAL WORK

In October, 1977, the Council on Social Work Education reaffirmed the accreditation of the School of Social Work for a period of 10 years. The Council indicated several needs that should be met. The Council stressed a need for additional faculty in order to offer the Bachelor of Social Work degree in 1978-1979; computer terminals and the strengthening of the library in order to support the Doctor of Social Work degree.

The Middle States Evaluation Team expressed this fact by stating that the school's resources are limited for the objectives it wants to accomplish.

STANDING OF THE HOWARD UNIVERSITY LIBRARIES IN THE ASSOCIATION OF RESEARCH LIBRARIES

The most significant single measure of the adequacy of the resources of the Howard University Libraries system, to serve the teaching and research programs, is that provided by the Association of Research Libraries (ARL). The consistent support provided to the Libraries in recent years has assured its steady growth as attested by its movement in rank from the 1st percentile in 1972 to the 83rd percentile, overall, in 1981-82. Nevertheless, we have identified, currently, at least the following important factors which will require increasingly strong support over the next several years if the University Libraries system is to continue to improve its standing in the Association and serve, adequately, local teaching and research needs:

1. While the number of current periodical subscriptions has continued to increase, retrospective holdings in these titles are limited.

2. Total holdings when compared with the other academic member libraries of ARL continue to be extremely low. Thus, a clearly larger than normal acquisitions rate will be necessary.

3. The increasing availability and constant demand for important information sources found in non-print media make it imperative that a larger proportion of the materials budget be diverted to this new and relatively expensive area.

4. Specific developments in the Law Library are necessary to meet deficiencies cited by the American Bar Association and the Association of Law Schools' accrediting teams during their recent visit.

COLLEGE OF MEDICINE

The College of Medicine was last inspected by the Liaison Committee on Medical Education which represents the Association of American Medical Colleges and the Council on Medical Education of the American Medical Association on November 1-4, 1976. The expected date of re-evaluation will be in 1984. The College is currently in the process of conducting a self-study in preparation for the re-evaluation. The University was reviewed by the regional accrediting association in March 1979. At the request of the Liaison Committee on Medical Education, the College was requested to submit a progress report during this visit. The report was submitted and accepted as being satisfactory by the Committee. The faculty's experience in teaching and knowledge of the requirements for professional education dictates that there does exist several areas which are critical to the medical program and will be noted by the evaluation committee in 1984.

COLLEGE OF DENTISTRY

The College of Dentistry was re-evaluated most recently by the Commission on Dental Accreditation of the American Dental Association in December 1979. The expected date of re-evaluation will be in 1986. The evaluation committee made the following recommendations:

1. That the institution develop an expanded recruitment program and that efforts be made to place added emphasis on the recruitment of an adequate pool of more highly qualified dental, dental hygiene and postdoctoral applicants.

2. That the institution keep the Commission on Accreditation apprised of its ability to maintain the time schedule of the new construction and renovation projects, since current space limitation is curtailing, to a degree, the total clinical time available to dental, dental hygiene and advanced education students.

3. That an individual be added to the Dean's staff who has managerial and fiscal analysis background to provide technical expertise in program budgeting and cost studies, as well as managerial expertise that can be utilized in the analysis of clinic functions.

4. That although substantial progress has been made in raising faculty salaries, there is much yet to be done to reach an appropriate standing. It is recommended that continued extraordinary measures be taken to increase base salary levels and to recognize merit where it exists. In order for the dental college to retain and recruit the high quality faculty that is urgently needed, the visiting committee believes that faculty salaries need to be not only competitive but highly attractive. Several additional years of unusual increases will be necessary before the dental college will be able to achieve this advantage.

5. That efforts be made to increase the number of staff support personnel for the dental college. It is recommended that a development officer be provided on a full-time basis to the

dental faculty. This person could seek financial resources through national and local resources, thereby hopefully increasing the $49,000 contribution made by the dental alumni.

6. That the institution try to develop its own in-house laboratory as soon as possible. Some of the advantages of a school-based production laboratory include better quality control and closer educational associations between the student and the laboratory. This should not be planned with the idea that it will be a cost saving but rather that it is a necessary part of the educational program.

7. That the central and dental school administration increase their efforts to generate a viable research program by providing faculty with release time, research space and equipment and supplies to start pilot projects. It is further recommended that faculty be encouraged to pursue vigorously extramural funding for basic and applied research.

8. That sterilization equipment be purchased and an immediate plan be instituted to control and monitor sterilization practices in the clinics.

COLLEGE OF NURSING

The Board recommended that the faculty continue to refine course objectives to ensure that the focus of the curriculum is on advanced knowledge and practice of nursing with supporting cognate studies.

COLLEGE OF PHARMACY AND PHARMACAL SCIENCES

1. There is a faculty and student moral problem of a dimension capable of seriously impeding the progress of the college and leading to decay in program quality.

2. The evaluation team recommends an integrated and unified relationship between the pharmacy service of the University Hospital and the educational and research program of the College.

3. To assure compliance with standards, faculty need to be strengthened quantitatively, and a faculty development program is necessary to assure the continuing competence of faculty. The apparent equipment acquisition limitations would seem to be at cross-purposes with the incentives needed for research stimulation.

4. The evaluation team observes that a major priority of the College is to obtain additional space, particularly for faculty and staff offices, and recommends that consideration be given to plans for a building addition or allocation for additional instruction areas. A funding program will be required to finance renovation and remodeling of the College.

5. The team recommends that the college building air conditioning program be completely implemented to enable an evironment conducive to learning during the required summer session.

Renewed attention should be focused on building maintenance and housekeeping.

COLLEGE OF ALLIED HEALTH SCIENCES

The accreditation deficiencies of the programs in the College of Allied Health Sciences are primarily concerned with inadequate resources to support teaching and staff personnel, supplies and equipment. Certain of the programs require equipment items necessary to conduct laboratory and classroom demonstrations. There is inadequate space to accommodate the teaching activities in the demonstration laboratories.

More specifically:

Physical Therapy program's most recent accreditation visitors cited insufficient number of faculty and recommended two (2) additional members. In audition, they emphasized the need for training equipment and supplies. The teaching facilities were considered inadequate in the demonstration laboratory. They also recommended a faculty development program be established to improve the quality.

Occupational Therapy accreditation visitors noted there were insufficient supplies and equipment for classroom use. The practice laboratory was declared inadequate.

Radiologic Technology department was accredited for four (4) full-time faculty. It presently has three (3) faculty personnel. A Clinical Coordinator is needed prior to the next site visit in the Spring, 1983. The program's lack of supplies and equipment was criticized.

Clinical Nutrition program accreditation team noted the shortage of teaching supplies and equipment.

Physican's Assistant program site visitors were critical of the lack of teachers, supplies, equipment and the physical facilities required to conduct the program.

Question: What action has been taken thus far to correct these deficiencies at each school?

Answer: With the availability of resources to improve physical, personnel and financial resources, the colleges have made progress. Additional faculty and staff have been appointed in accordance with the specific needs of the colleges. As funds were available, supplies and equipment have been acquired to satisfy the inadequacies noted.

Question: What has been the cost to date?

Answer: The following cost readily identifiable to date is as follows:

HEALTH AFFAIRS DIVISION

1979		
	College of Dentistry	$ 300,000
1980		
	College of Pharmacy & Pharmacal Sciences	760,000
	College of Dentistry	700,000
1981		
	College of Dentistry	1,420,000
1982		
	College of Allied Health Sciences	100,000
1983		
	College of Allied Health Sciences	205,000
	Total	$ 3,485,000

ACADEMIC AFFAIRS DIVISION

1972		
	College of Liberal Arts	$ 250,000
	School of Social Work	134,000
	School of Education	160,000
	School of Communications	500,000
	School of Business and Public Administration	348,000
	University Libraries	600,000
1973		
	College of Liberal Arts	677,000
	School of Communications	322,000
	University Libraries	361,000
1974		
	College of Liberal Arts	1,061,000
	School of Architecture and Planning	240,000
	Graduate School of Arts and Sciences	300,000
	School of Education	335,000
	School of Communications	500,000
	School of Business and Public Administration	545,000

1974	School of Engineering	200,000
	College of Fine Arts	150,000
	School of Human Ecology	300,000
	School of Law	418,000
	University Libraries	750,000
1975	School of Communications	455,000
	College of Fine Arts	430,000
	University Libraries	526,000
1976	College of Liberal Arts	400,000
	Graduate School of Arts and Sciences	300,000
	School of Communications	500,000
	School of Business and Public Administration	230,000
	College of Fine Arts	120,000
	University Libraries	450,000
1977	School of Communications	325,000
	University Libraries	300,000
1978	School of Communications	500,000
	University Libraries	500,000
1979	School of Communications	300,000
	University Libraries	400,000
1980	University Libraries	840,000
1981	School of Communictions	1,200,000
	University Libraries	1,620,000
1982	Graduate School of Arts and Sciences	250,000
	School of Communications	500,000

1982	
College of Fine Arts	250,000
University Libraries	500,000
1983	
Graduate School of Arts and Sciences	307,000
School of Communications	492,000
School of Business and Public Administration	200,000
University Libraries	2,296,000
Total	$22,342,000

Question: What more remains to be done?

Answer: A comparison of the list of deficiencies and those actions completed will indicate most vividly that much more remains to be done. The experience of the administrator of the College and the central administration of the University see obvious needs that require revision and modification. The state-of-the-arts also dictates changes in the curricula of the Colleges.

Physical, personnel and financial resources continue to plague the effectiveness of the University's academic programs. The campus has restricted boundaries and space for classrooms, laboratories, study halls, etc. are limited. Foremost within these restraints is accreditation of our programs and the commitment to our students to provide for them the best education possible in an effort to place them in the mainstream of American life.

Question: What is the timetable which has been established for eradication of these deficiencies at each school?

Answer: As resources become available, we shall correct those deficiencies indicated and improve the programs as we believe necessary. Additional resources are needed as soon as possible.

Question: What is the estimated cost?

Answer: To completely eradicate present deficiencies, the estimated cost is 7 to 10 million dollars. However, the process of accreditation is an ever continuing one. As new deficiencies are cited (as a result of changing technology, research and societal needs) additional resources must be made available to correct them.

GALLAUDET COLLEGE

Mr. SKELLY. Mr. Chairman, our next witness is Dr. Merrill from Gallaudet College, if you would like him to summarize.

Senator WEICKER. Fine.

FISCAL YEAR 1984 BUDGET REQUEST SUMMARY

Dr. MERRILL. Mr. Chairman, I am pleased to present a summary of the fiscal year 1984 budget request for Gallaudet College, including the Model Secondary School for the Deaf, and the Kendall Demonstration Elementary School. The President's 1984 budget request is $55,590,000 for these three programs.

The fiscal year 1984 request of $55,590,000 is for operations and is an increase of $3,590,000 over fiscal year 1983. This request will support $3,225,000 in built-in increases including $2,451,000 for faculty and staff compensation increases, and $674,000 to meet increased utility costs. The program increases in the 1984 budget request are limited to $1,095,000 for college programs to serve increased enrollments due to the 1964–65 rubella epidemic. These requested increases of $4,320,000 will be partially offset by a decrease in program areas at the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School, producing a net increase of $3,590,000.

This is an overall 6.9-percent increase.

The requested increase, coupled with increased efforts to attract non-Federal funds will enable Gallaudet to serve 300 additional students who will be seeking admission to the college in fiscal year 1984, as well 2,500 additional public service participants. All programs, other than those serving the epidemic-related undergraduate enrollment will continue to operate at or below the fiscal year 1983 level.

The budget request for 1984 exceeds the authorization ceiling for Gallaudet College in the Omnibus Budget Reconciliation Act of 1981. The agency has informed me that legislation to raise the ceiling is being developed and will be submitted to the Congress.

Mr. Chairman, members, this completes my summary.

I would be glad to respond to questions.

ABILITY TO SERVE EPIDEMIC RELATED ENROLLMENT INCREASES

Senator WEICKER. According to news articles, the number of new students qualifying for admission to Gallaudet's undergraduate program was projected to increase because of the rubella epidemic by some 500 for the upcoming academic year. It is my understanding that you are requesting a budget increase of about $3.6 million in order to accommodate 300 new students. Therefore, it would appear that there are at least 200 students who are qualified for admission to Gallaudet, but who will not be able to attend.

Will all applicants who are qualified be able to attend Gallaudet?

Dr. MERRILL. We hope we can accommodate those. I can't give you a conclusive answer. We do know that already the number of applicants is running about double. This is what we anticipated. We do give our

Gallaudet examination on the basis of that. We classify students as needing preparatory work or as being admitted directly into the freshman class. I can't answer your question directly. We will be able to—I think it will be pretty nearly all of the students that qualify.

Senator WEICKER. Many of the rubella students have multiple handicaps. To what extent are you able to accommodate students with multiple handicaps?

Dr. MERRILL. Well, over the past several years we have tried to eliminate all barriers from the campus. The usual percentage runs between 10 and 15 percent of our students with additional handicapping conditions. This rubella group has about 30 percent of the students with secondary handicaps. We identified all the campus physical barriers, I think about 6 years ago. We identified 47 major barriers but we are down to about 10 or 11 barriers. We also have a long history of serving multihandicapped students at Gallaudet.

We do, as you know, have another campus in Northwest Washington, the former Marjorie Webster Junior College property, and as we renovate, we are eliminating any barriers to people who have other handicapping conditions.

Senator WEICKER. While you requested $646,000 for a 6-percent faculty compensation increase, it appears that you have not requested funds to provide additional teachers to handle the expected influx of students; is that correct?

Dr. MERRILL. We do have money which will enable us to provide additional teachers.

Senator WEICKER. You say you do have money for additional teachers?

Dr. MERRILL. Yes; and we have requested here—this is for fiscal 1984, we have requested $487,000 for 27 faculty and 10 staff positions. That is in this request. This will be for the second wave of the students. The first wave comes this year in the fall and the second will be when this budget becomes effective.

ABSORBING COSTS AT KDES AND MSSD

Senator WEICKER. Your budget request for fiscal year 1984 is the same as the amount appropriated for fiscal year 1983, $6,390,000, for the Kendall Demonstration Elementary School. While you do not request additional funds, you explain that you intend to absorb $273,000 for pay raises for faculty and staff and to cover the increasing costs of utilities, meals and transportation.

How do you intend to absorb these costs?

Dr. MERRILL. We have cut the base of the Kendall School program. I have an analysis of that which I will be glad to submit for the record.

Senator WEICKER. Please submit that.

Dr. MERRILL. As well as the Model Secondary School for the Deaf.

Senator WEICKER. We would appreciate having that submitted for the record.

[The information follows:]

KENDALL DEMONSTRATION ELEMENTARY SCHOOL

We have reduced the number of days at KDES from 205 to 200. We will eliminate professional days and things of that nature thus, reducing the number of days teachers are employed. Other noninstructional areas will be reduced below the fiscal year 1983 level by an average of 4 percent. This will include a reduction in general institution support, public services, student services, academic support, and research. In this way, we will be able to maintain a high quality, demonstration instructional program.

MODEL SECONDARY SCHOOL FOR THE DEAF

We have reduced the number of days at MSSD from 185 to 180. We will eliminate professional days and things of that nature thus, reducing the number of days teachers are employed. Other noninstructional areas will be reduced below the fiscal year 1983 level by an average of 4 percent. This will include a reduction in general institutional support, public services, student services, academic support, and research. In this way, wewill be able to maintain a high quality, demonstration instructional program.

DECREASE IN ENROLLMENT

Senator WEICKER. How many fewer students would be served during the next school year?

Dr. MERRILL. In the Kendall School, the enrollment will remain about the same, and the Model Secondary School will also. We anticipate about 200 in the Kendall School and 425 in the Model School.

Senator WEICKER. And how many fewer days will these students be able to attend classes?

Dr. MERRILL. We have reduced the number of days in the Model Secondary School from 185 to 180 days. The Kendall School, from 205 days to 200 days.

Senator WEICKER. Is that a function of improved teaching methods, or is that a function of budgetary restraints?

Dr. MERRILL. It's budgetary restraint. We are eliminating professional days and things of that nature and reducing the days that teachers are employed.

Senator WEICKER. Senator Proxmire.

PERCENTAGE OF APPLICANTS ADMITTED

Senator PROXMIRE. I just have a question on the percentage of applicants admitted. I notice in discussing the Model Secondary School for the Deaf, on page 246 of your justifications, you indicate that 75 percent of applicants were admitted in fiscal years 1982 and 1983 yet you project a drop to 68 percent next year.

Dr. MERRILL. Yes, sir.

Senator PROXMIRE. You have no data on the percentage to be admitted to Gallaudet College in 1984.

Dr. MERRILL. No; we generally give the Gallaudet test to about 1,300 students across the United States. Approximately half of these will qualify for admission. Then of those who qualify for admission, we have, I would say, 70 percent actually enrolling. That is a general picture.

Senator PROXMIRE. So there is no change in the percentage admitted as far as the college is concerned, but there is a reduction in the secondary school percentage?

Dr. MERRILL. That's right.

Senator PROXMIRE. Why is there a reduction? Is that because of limited funds?

Dr. MERRILL. No; I don't think that's because of limited funds. The high school serves a primary attendance area of six States, and more students are applying, I'm told, for that, reducing the percentage acceptance. The school has a primary attendance area, then, according to law, we can accept other candidates, other students as space permits, and the school, being a popular place, I imagine more people are applying.

Senator PROXMIRE. I can understand that in view of its reputation nationally. But this seems to be simply a question of having more students apply with no increase in vacancies, although you want to maintain a quality education.

Dr. MERRILL. Well, the high school can accept up to 450. We are not presently funded for that.

EXPANDING THE COLLEGE'S BASE BUDGET

Senator PROXMIRE. I understand you are expanding your base at the college.

Dr. MERRILL. Yes, we are.

Senator PROXMIRE. But why do you emphasize the college and not the secondary school?

Dr. MERRILL. Well, we are trying to respond to this rubella epidemic. It's already gone through the high schools, and so we do not anticipate that surge in the high school programs.

Senator PROXMIRE. But you are getting more applications for the secondary school?

Dr. MERRILL. Yes; we are getting them merely due to the popularity of the school.

TURNING STUDENTS AWAY FROM MSSD

Senator PROXMIRE. What happens to the students who are not accepted?

Dr. MERRILL. We are reluctant to——

Senator PROXMIRE. Are there other places they can go?

Dr. MERRILL. We are reluctant to accept students from another State, when there is a program there. Therefore, where there is often a program in their own State, we will not accept that student.

Senator PROXMIRE. It's rather heartbreaking to be turned down, I imagine. You have a great secondary school, and it's a tribute to you and to your institution that you do have this increase in popularity.

Dr. MERRILL. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. Thank you, Mr. Chairman. The balance of the questions will be submitted for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COST EFFECTIVENESS OF A GALLAUDET EDUCATION

Question: Have you estimated how much the average Gallaudet graduate, when retiring from the labor force, will have paid back to the treasury in taxes? What percentage is this over the cost of his or her education at Gallaudet?

Answer: During their lifetime, the family income for graduates of Gallaudet College will be on an average about $1,320,000. At current federal tax rates this amounts to about $200,000 in federal taxes paid as a result of a Gallaudet education. It currently costs approximately $60,000 for a Gallaudet student to complete a degree. These students are repaying the government nearly $3.33 for each $1.00 spent.

COORDINATION OF EFFORTS WITH NTID

Question: To what extent are you coordinating efforts with those of the National Technical Institute for the Deaf and other federally funded programs in order to serve the temporary increases in admissions due to the rubella epidemic?

Answer: Gallaudet College and the National Technical Institute for the Deaf have consistently worked together to prepare for the admissions increases associated with the rubella epidemic. For example, in 1980 the colleges jointly sponsored a conference entitled "Deafness and Rubella: Infants in the 60's, Adults in the 80's." The conference addressed such topics as: Demographics of Deafness Resulting from Maternal Rubella, Projections for Deaf Students with Maternal Rubella: College and Other Alternatives, handicapping conditions, and educational and support service needs. Our colleges have continued to share such information throughout the period during which each have developed plans for serving these students.

KENDALL DEMONSTRATION ELEMENTARY SCHOOL

Your budget request for fiscal year 1984 is the same as the amount appropriated for fiscal year 1983, $6.39 million, for the Kendall Demonstration Elementary School, which operates as a national model elementary school, serving deaf children from infancy to age 15.

While you do not request additional funds, you explain that you intend to absorb $273,000 for pay raises or faculty and staff, and to cover the increasing costs of utilities, meals and transportation.

KENDALL SCHOOL REALLOCATIONS

Question: While you do not request additional funds, you explain that you intend to absorb $273,000 for pay raises for faculty and staff, and to cover the increasing costs of utilities, meals and transportation. How do you intend to absorb these costs?

Answer: A 4% reduction of the base of the Kendall Demonstration Elementary School budget will reduce activities such as academic support, research, public services, student services, and general institutional support by approximately 4%. In order to prevent these reductions from having a direct impact on the instructional program, the number of school days will be reduced from 205 to 200. This still is a longer school year than most school systems conduct. Furthermore, reductions will be made where possible in professional days rather than instructional time.

ENROLLMENT LEVELS

Question: How many fewer students would be served during the next school year?

Answer: The plan is to serve the same number of students at KDES (200) as were served in FY 1983.

REDUCING THE SCHOOL YEAR

Question: How many fewer days will these students be able to attend class?

Answer: We will make every effort to maintain the same number of instructional days for students. Reductions will be made in the number of professional days for faculty and staff.

MODEL SECONDARY SCHOOL FOR THE DEAF

The Model Secondary School for the Deaf provides deaf students from the District of Columbia and surrounding area, with a secondary education. The request for fiscal year 1984 remains the same as that provided for fiscal year 1983--$11.7 million.

ABSORBING COSTS

Question: While I realize pay raises may be necessary and the cost of utilities, meals and transportation are not going down, why did you choose to reduce enrollment in order to absorb these costs?

Answer: The enrollment of the Model Secondary School for the Deaf will remain the same, 425 students, in FY 1984 as in FY 1983. These cuts will not be absorbed through reduced enrollments.

ABILITY OF LOCAL SCHOOL DISTRICTS TO SERVE DEAF STUDENTS

Question: Do you have evidence that other schools in the area will be able to accommodate those students who would not be enrolled at the Model Secondary School?

Answer: The Model Secondary School will enroll the same number of students in FY 1984 as in FY 1983. In selecting students, the MSSD chooses students who do not have an appropriate special program in their local area. In other words, the MSSD will endeavor to accept those students where local services are not available rather than those students who have an option.

GALLAUDET-CONSTRUCTION

In 1982, Congress gave Gallaudet the entire campus of the former Marjorie Webster Junior College in Washington, D.C.

PURPOSE OF NEW FACILITIES

Question: For what purpose is Gallaudet using these facilities?

Answer: Gallaudet College is currently remodeling the former Marjorie Webster Junior College in order to provide a campus in northwest Washington. The Northwest Campus will be used in order to permit the College to expand its enrollment of preparatory students in the fall of 1983 and again in the fall of 1984. The College is anticipating from 200 to 300 more entering students than normal due to the rubella epidemic which occurred in 1964 and in 1965. The College will operate the School of Preparatory Studies on this campus.

STATUS OF NORTHWEST CAMPUS RENOVATION

Question: Are they in the process of renovation or are they being utilized now?

Answer: The Northwest Campus facilities were vandalized and in a serious state of disrepair. The area has been rezoned by the District of Columbia Zoning Commission and building permits have been issued permitting Gallaudet College to thoroughly renovate and improve these facilities. Renovation is now under way and we hope to move into the new campus this summer.

NEW FACILITIES SATISFACTORY FOR INFLUX IN PREPARATORY ENROLLMENT

Question: Are these facilities adequate to handle the projected influx of students?

Answer: These facilities will permit the College to accept all qualified students requiring preparatory instruction prior to their admission to the freshman class of Gallaudet College.

FUNDING FOR RENOVATION

Question: Does the budget request for fiscal year 1984 include funds that would help Gallaudet absorb renovation costs to Marjorie Webster College?

Answer: No funds for the purpose of renovating the Northwest Campus are included in the FY 1984 budget request from Gallaudet College.

TIMEFRAME FOR RENOVATION

Question: What is the time frame for the renovation of the Junior College to be completed and functional?

Answer: The renovation of the Northwest Campus is on schedule. Renovations are scheduled to be completed by the middle of August, 1983.

DEFERRED RENOVATION OF OLDER BUILDINGS

Question: Are there other buildings, besides the Junior College, on Gallaudet's campus which are in serious need of renovation?

Answer: Over the past decade Gallaudet College has developed a remarkably good physical plant on the main campus. However, the College still operates eight temporary facilities and has on hand several older buildings which are in serious need of renovation. Fowler Hall, Peet Hall, Dawes House, College Hall and Chapel Hall. These buildings are poorly insulated, have no central air conditioning, and have aging plumbing and electrical systems. They will require renovation in the near future.

BUDGET REQUEST AS RELATED TO RENOVATION NEEDS

Question: How does the fiscal year 1984 budget request address renovation needs at Gallaudet?

Answer: The FY 1984 budget requests increases that are directly related to the costs of serving the second wave of rubella young people who wish to enter. No funds have been requested for renovations on the main campus; however, I imagine these funds will be included in the FY 1985 request. The major impact of rubella on the main campus will occur beginning with that fiscal year and continuing for the next five years.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

Senator WEICKER. Next we will hear from Dr. William Castle, Director of the National Technical Institute for the Deaf.

BUDGET AND ADMISSIONS DATA

Dr. CASTLE. Yes; the appropriations request level for NTID is $28 million for fiscal 1984. That is $1,700,000 greater than the fiscal 1983 appropriations level. It is also $1,700,000 over our authorization ceiling set by the Omnibus Budget Reconciliation Act of 1981.

Our authorization level for fiscal 1984 is $26,300,000. The fiscal year 1984 request is attached, as you said earlier, to "point of order" language. But we also have the understanding from the Department of Education that special legislation will be submitted to Congress to raise the authorization level for NTID.

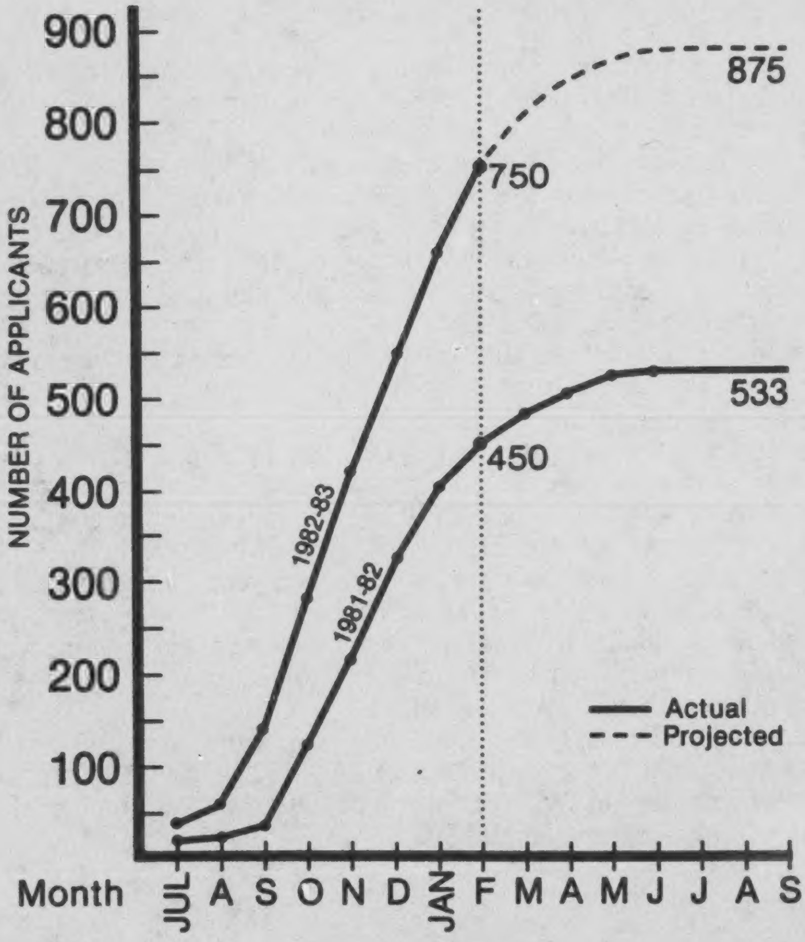
I would like to point out that the $1,700,000 is completely devoted to the task that we have in front of us for accommodating greater numbers of students because of the rubella epidemic.

Two and a half years ago, when Dr. Merrill and I started talking about the rubella epidemic and the impact it would have on our two institutions there was some disbelief about the student numbers that we were projecting, but the data currently show that it is a reality.

As a matter of fact, in September of this past year, 71 of our new students were born in 1964. We know that of the 71, 45 percent were deafened from rubella. In a normal year the percentage amount would be eight. There may well be an additional percentage of those people who don't know they are rubella victims.

At the end of February, the number of applicants to NTID was 750 in contrast to what it was a year ago of only 450. It has increased since the end of February to 780. We fully anticipate the total number of applicants will be between 875 and 900.

APPLICANTS TO NTID FOR FALL 1983 ADMISSION



Typically, we admit 58 percent of our applicants, so we actually expect the number of new students this fall for us to be 510 and there will be an additional 50 to 100 transfer students in the fall quarter.

STUDENT NUMBERS

Senator WEICKER. You mention the rubella epidemic, and it is my understanding that estimates last year put the number of deaf students expected to seek enrollment at 1,600 for the academic year 1983–84. It appears you are seeking funding to accommodate 1,225 students for the upcoming academic year.

Can you clarify these figures for us?

Dr. CASTLE. First let me clarify some terms. The 1,600 number you refer to is a full-time equivalent number, which is made up of fall enrollment plus one-third of part-time and summer enrollment. The student number of 1,225 is made up only of fall quarter enrollment. So if we are to compare like with like, our current projected enrollment for 1983–84 of 1,225 compares to our earliest 1980 prediction of 1,280 fall quarter enrollments.

The 1,600 full-time equivalents or 1,280 enrollments was based upon a fall accommodation of our fair share of the surge of students caused by the rubella epidemic of 1963–65. As you may recall, we were requesting $32,811,000 in fiscal year 1982 of which $9,240,000 was for construction. This construction request included $6 million for 60,000 gross square feet of new academic space and $3,240,000 for housing. We actually received only $26,300,000 in fiscal year 1982 of which $2,729,000 was for construction. This is being used to build approximately 25,000 square feet of academic space. We were again held to $26,300,000 in fiscal year 1983, when the original request to the Department of Education was $32,459,000. This was all for operations. As you can see, our budget has been substantially reduced giving rise to two primary constraints: Academic facility capacity and human resources. Though more students will be applying we will be limited to a peak of 1,250 fall quarter enrollments.

NTID'S CAPACITY TO ACCEPT ALL QUALIFIED STUDENTS

Senator WEICKER. Will all applicants who are qualified be able to attend NTID for the upcoming academic year?

Dr. CASTLE. Yes; we feel we will have sufficient capacity to accept all who qualify and choose to enter NTID in the fall of 1983 or, by the latest, the winter of 1984. We expect this number to be around 600. Our capacity for new students in the fall of 1984 will be limited by facilities to 465 which will be over 200 below the expected demand.

PROGRAM FOR THE MULTIPLY HANDICAPPED

Senator WEICKER. How would you assess your program for multiple handicaps?

Dr. CASTLE. The campus at Rochester Institute of Technology is not as well equipped for dealing with multiple handicaps, as is the case for Gallaudet College. There is the additional fact that multiply handicapped deaf individuals do not seek technical education in large numbers.

Those that do come to NTID are typically victims of cerebral palsy. The next most handicapping condition is deaf-blindness; we currently have five deaf-blind students on our campus.

NEW CONSTRUCTION

Senator WEICKER. In each of the fiscal years 1982 and 1983, $3 million was received by the Institute to build a facility for business career education programs accommodating between 300 to 350 students. Last year you requested funding for construction, but you did not request construction funds this year.

Are we to assume you no longer need such funds?

Dr. CASTLE. The request for construction was only in fiscal year 1982. This came to $2,729,000 for new academic space to be used primarily for our business careers program. In fiscal year 1983 the amount requested is to be used solely for operations and the same is true for fiscal year 1984. We do not expect a need for construction funds in the foreseeable future.

Senator WEICKER. What is the status of these construction projects—the teaching laboratory, the classrooms, et cetera?

Dr. CASTLE. There is only one project and that is our academic facility of 25,000 square feet. That building is in fast track construction. We expect it to be completed by July 1. Our original estimate was by the middle of August, so we are 6 weeks ahead of schedule. The facility will include 10 general classrooms, 7 laboratories, and 68 offices.

Senator WEICKER. Do you anticipate additional Federal funding will be needed to complete these projects?

Dr. CASTLE. No.

Senator WEICKER. Senator Proxmire.

COST PER STUDENT

Senator PROXMIRE. Mr. Castle, you are requesting $28 million for the National Technical Institute for the Deaf?

Dr. CASTLE. Yes, sir.

Senator PROXMIRE. I understand that works out to more than $22,800 per student.

Does every student in the Institute receive a free education, or are parents required to pay partial tuition costs?

Dr. CASTLE. The charge to the student will be $4,265 in fiscal year 1984. That includes $1,334 for tuition, $1,140 for room, $1,578 for board, and $213 for fees. The cost per student that you referred to at $22,800 is not real cost in terms of the education of the deaf student.

The true instructional cost for a deaf student at NTID in fiscal year 1982 was $9,800. We project it will be something close to $10,393 in fiscal year 1984.

Senator PROXMIRE. You say that the true instructional cost in 1982 was in the $10,000 range, and the overall projected cost for 1984 is $22,800 per student. That indicates that somehow there is $13,000 for other than the true instructional cost. In other words, about 60 percent of your expenditures are not for instructing your students.

What are those funds used for?

Dr. CASTLE. Well, approximately one-third of the total budget is for RIT services for the presence of NTID on the campus of RIT.

Senator PROXMIRE. I don't understand the acronym. What does that mean?

Dr. CASTLE. Well, NTID is an integral part of a larger institution called the Rochester Institute of Technology. That institution provides us with auxiliary support for such things as custodial services, food services, dormitory maintenance, and security services, as well as other support services involved in cross-registering of NTID students in the other programs offered by the other colleges of RIT.

Senator PROXMIRE. Just offhand, that seems rather high for those services. I can understand why the instructional costs would be high, but that seems to be a very high figure for anciliary services—$13,000.

Dr. CASTLE. What we haven't discussed as yet is the fact that NTID is a multipurpose institution. We have responsibilities beyond giving technical instruction to our students. We are mandated to train new professionals to work with the deaf; therefore, during fiscal year 1984, we will have students other than the deaf students per se including 60 hearing students pursuing associate degrees in interpreting, 150 in other interpreter training programs, 50 graduate interns, 30 graduate students in our joint masters program with the University of Rochester for Educational Specialist and over 500 educators of the deaf, K–12 as part of our national project on career education. Additionally, our placement office conducts seminars on many aspects of employing the deaf. These will have an attendance of nearly 300 company representatives.

We are mandated to conduct applied research in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal social accommodation of our graudates in the workplace.

Last, we are mandated to improve deaf education nationally by setting up a program of information dissemination to share research findings, educational techniques and processes and training techniques. This we do through a wide variety of publications and in-service training programs.

JOB PLACEMENT PROGRAMS

Senator PROXMIRE. Now, the budget justifications indicate the Institute makes a special effort to work with prospective employers to help students find employment.

Can you tell us what these special efforts are?

Dr. CASTLE. Yes; we have a very active job placement program which includes dealing with cooperative work experiences for the deaf students while they are still in school and employer development in our effort to get a maximized level of job placement, particularly at the graduate level, but also for cooperative work experience.

We hold regional employer seminars to which we invite prospective employers or personnel officers from business and industry to come to our campus for special training in how to deal with deafness and what to expect on the job. This is key to getting the work world, particularly business and industry, prepared for the fact that qualified deaf students graduated from our programs are very capable of satisfying their needs.

FINANCIAL AID

Senator PROXMIRE. Do you have a sliding scale for parents who can afford to pay tuition and fees?

Dr. CASTLE. No; we do not have a specific sliding scale. However, grant-in-aid and loan programs upon which our students depend are related to the ability of the students or their parents to pay.

Senator PROXMIRE. Dr. Castle, I want to commend you for your sartorial elegance. I think it is great to brighten up the drab morning with that beautiful tie and jacket. It is refreshing.

Dr. CASTLE. Tomorrow it will be green. [Laughter.]

Senator PROXMIRE. My mother's parents were named Rose O'Reilly and Pat Flanagan, so——

[Laughter.]

Senator PROXMIRE. Yes, sir.

RESEARCH

How much do you intend to spend on research in 1983 and 1984?

Dr. CASTLE. The dollar amount on research will be approximately $1 million. This is a reduction from $1,200,000 for fiscal 1983.

Additionally, we are asking our researchers to spend nearly half of their time in the classroom during the rubella crisis. So we are currently redirecting much of their effort to teaching until the rubella surge subsides.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. Thank you, Mr. Chairman. We have some additional questions which we would like you to answer.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LONG TERM CONSTRUCTION NEEDS

Question: Have you assessed your long-term construction needs?

Answer: Yes, we do not anticipate any need for new construction monies. We do, however, have a maintenance problem with respect to our current dormitories. Because of faulty construction, the bricks have been falling from the three NTID dormitories. Last year an architectural firm was engaged to assess the problem and recommend a solution. Their recommendation was to replace all of the bricks on the three buildings in question.

The Rochester Institute of Technology (RIT), our host institution, filed suit against the original architect and the general contractor. The claim was pursued as a construction arbitration administered by the American Arbitration Association under the Construction Industry Rules as required by the Agreement for the Establishment and Operation of the National Technical Institute for the Deaf between the Secretary of Health, Education and Welfare and the Rochester Institute of Technology. The damages alleged included $2,400,000 for reconstruction, $100,000 in architects' fees and $113,000 for investigation, temporary repair and safety protection. The matter was settled for $1,550,000. This was due to problems associated with the statute of limitations and the defendants' ability to pay.

Since the settlement, more accurate estimates have been obtained totalling $2,942,324. Given the settlement, the shortfall is expected to be $1,392,324. We are at this moment investigating the feasibility of a supplemental request for fiscal year 1983 or 1984 or including it as part of our fiscal year 1985 budget. In any case our authorized ceiling would need to be raised accordingly.

DATA BASE OF BUDGET REQUEST

Question: On what data did you base your budget request for funding to accommodate 1,225 students at NTID?

Answer: The latest data we are projecting from are as follows:

	Fall of (September)			
	1982	1983	1984	1985
Secondary School Graduates*	3000	5000	6000	4500
Graduates Accepted at College (41%)**	1230	2050	2460	1845
Qualified Graduates and Transfers applying to NTID	350	600	675	520
Freshman Class Capacity	350	600	465	450
Waiting List (Cumulative)	-0-	-0-	210	280
Enrollment (Facilities Capacity 1250)	993	1225	1250	1250

*These are NTID planning numbers extrapolated from a November of 1981 suvery of 47 schools by Office of Demographics Studies of Gallaudet College, a May 1982 study by St. Paul Technical and Vocational Institute and a February 1980 study at NTID.

**American Annals of the Deaf, April, 1982, P.161.

We are able to take on a substantial number of new students in the fall of 1983 because of enrollment potential, but we will be limited thereafter by the capacity of the facilities.

DORMITORY SPACE

Question: What arrangements are being made to accommodate the anticipated increase in students next year insofar as providing additional dormitory space?

Answer: Our original plan included dormitory space for 300 additional students. This of course was not accepted by Congress. Thus we are left with our current dormitory allotment of 850 spaces on the campus of RIT. This means that in a typical year 100 to 150 students must live off campus. By the fall of 1983 we will have approximately 375 off campus and over 400 off campus in 1984.

THE EFFECT OF ADDITIONAL HANDICAPPING CONDITIONS

Question: It is reported that many of the deaf rubella victims who are about to enter college are otherwise handicapped. Many have poor eyesight. Others have heart defects, kidney ailments, or diabetes. Does your budget request reflect the need for classrooms to be better lit, counseling more intense and medical care more complete?

Answer: Research conducted among 150 deaf rubella victims who have enrolled to date at NTID reveals few if any educationally significant differences between students deaf from rubella and from other causes.

Medical histories of the students deaf from rubella reveals a higher incidence of congenital cataracts, congenital glaucoma, and congenital heart defects than their deaf classmates, but in almost all instances these defects appear to have been corrected by the time they enter college.

There is no evidence among these students that they continue to have extraordinary needs for special classroom lighting, counseling services, or medical services beyond those of other deaf students.

Reference: Stuckless, E.R. "Projections for deaf students with maternal rubella: College and other alternatives. American Annals of the Deaf, 1980, 128(8), 985-992.

Question: Your placement rate for graduates is phenomenally high. Does your approach work because these students are otherwise handicap-free? How would you assess your program for multiple handicaps?

Answer: Our approach works primarily because of intensive employer development programs and the networks that have been established over the years.

NTID uses a 'selective placement' strategy in dealing with deaf graduates of RIT. We attempt to match the skills of the graduates with the needs of an employer for a qualified employee. Considerable efforts are made to educate the employer regarding the disability of deafness and potential accommodations that can be made to help optimize the potential for employee success! We have been able to develop a symbiotic relationship with employers by implementing a concept we call 'service after the sale'. That is, we make it clear to employers that we are available to consult, provide supervisory training, and conduct job analysis should the employer need our assistance after hiring a deaf RIT graduate. We have provided this service to many employers over the past 15 years and as a result have gained a reputation for 'standing behind our product'. We have always marketed our graduates on the basis of their ability to perform the jobs for which they are seeking employment. If a graduate does not possess the skills for a position, we will not advise an employer to hire the graduate or advise the graduate to seek the position. We have always attempted to be candid with employers regarding a graduate's technical and communication skills.

We have placed graduates with additional handicaps such as vision impairment and musculo-skeletal disabilities by using the same strategies previously outlined. The placement of such graduates is more time consuming, however, since additional impairment compounds the process of selective placement. Matching such a graduate with an appropriate employment opportunity requires more effort and a more comprehensive search on the part of our placement staff and the graduate. We have found, however, that the selective placement strategy has worked as well for graduates with multiple handicaps as it has for our other deaf graduates. Though we don't expect any increases in handicaps that are self-limiting in the workplace, if we were to, we would be in a very good position to place them in jobs commensurate with their capabilities. We have done so successfully in the past and I'm confident we can continue to do so.

STUDENT/FACULTY RATIO

Question: Do you anticipate maintaining the current student/faculty rate? How many more teachers will have to be brought on board?

Answer: No, up until 1982 our student/teacher ratio was always 8:1 which was considered a good standard. Over the past 2 years due to budget problems, this ratio has moved to 9:1. In fiscal year 1984 this ratio will go to 10:1 and will be increased even further to 11:1 in fiscal year 1985.

Our plan requires a 43.7 full time equivalent (FTE) increase in staff. These increases are as follows:

12.8	Faculty in Technical Programs
11.8	Faculty in English, Speech Pathology, Audiology and Assessment
1.5	Faculty in General Education (liberal arts)
3.0	Counselors
6.0	Interpreters
8.6	Other professional and clerical staff associated with admissions, placement, and media
43.7	Total FTE

We will be able to acquire much of this human resource requirement through overload, promotions of part time people to full time and adjuncts. We expect to hire from the outside no more than 10 to 20 visiting faculty.

It is important to point out that this increase was partially offset by the reduction of 8 full time and 20 part time headcount. These reductions took place in the non-instructional areas and the monies saved have been redirected to financing the above requirements.

AMERICAN PRINTING HOUSE FOR THE BLIND

Senator WEICKER. We now have Dr. Carson Nolan of the American Printing House for the Blind. Dr. Nolan.

FISCAL YEAR 1984 REQUEST

Dr. NOLAN. Thank you, Mr. Chairman. I appreciate this opportunity to appear before the committee. Our request for fiscal 1984 is $5,500,000, which is an increase of $500,000 over the request for fiscal 1983, and it's also $500,000 over the authorization. But I am told that the Department will submit legislation to enable this.

This request can be broken down into three categories. The first category is to provide educational materials to legally blind students in this country, and we asked for $5,070,000, which is an increase of $410,000 over fiscal 1983. With this money we will serve 41,800 students, an increase of 3,400 over 1982. And it will allot a per capita amount of $121.29 for each student, which is equivalent to that available in the previous year.

It has been proposed by the Office of Management and Budget that our legislation be amended to require a 10-percent matching by the eligible recipients before they can draw on these educational materials. In this case, the funds for materials would be reduced to, I believe, $4,520,000, which would be a decrease of $140,000 over 1983 and would result in a per capita amount of $108.13.

The second category is entitled advisory committees, which is a little misleading. The law requires us to use the services of advisory committees to direct us how to carry out the act. And we have two of these—one that advises on what textbooks to publish. A second advises us on educational research and development. Another part of this activity is our field work, the purpose of which is to advise our consumers as to what is available, how to get it and how the materials can be used. Also involved in this amount is the cost of the annual census. We are asking for $140,000, which is an increase of $50,000 over that requested in 1983.

The third category is educational research and development. The request is for $290,000, an increase of $40,000 over fiscal 1983. This money goes for the development of educational materials that are needed. Our whole population has changed in the last 12 years. We have had a heavy input of multiple handicapped, legally blind children. Now we are getting an increasing flow of older legally blind persons in educational programs of less than college level, which is essentially rehabilitation, and we have to provide materials for them as well.

DECREASE IN APPROPRIATION

Senator WEICKER. Dr. Nolan, you say you're getting an increasing flow of older persons. But then, how would that justify a decrease in the Federal contribution?

Dr. NOLAN. It is difficult. I'm not trying to justify a decrease in the Federal appropriation. I'm asking for an increase.

Senator WEICKER. But if the proposed legislation goes through where you're tapping the States for 10 percent that, in effect, is a decrease in the Federal contribution.

Dr. NOLAN. Yes, sir, it is a decrease, and I can state with conviction that it has been greeted with dismay throughout the community concerned with the education of blind students.

Senator WEICKER. Well, that's about the first time I heard that. Everybody else sits there making big cuts with a smile on their face. OK. Senator Proxmire.

CATALOG DISTRIBUTION

Senator PROXMIRE. The American Printing House for the Blind plans to dramatically increase catalog distribution activities in 1984——

Dr. NOLAN. No, sir.

Senator PROXMIRE. You currently plan to distribute 17,000 catalogs in 1984 and this will increase to 24,000 catalogs next year. How much more will this increase in catalogs distributed cost, and why have you decided on such a substantial expansion?

Dr. NOLAN. The problem is not an actual increase, Senator Proxmire.

Senator PROXMIRE. Well, page 237 of your justifications shows such an increase.

Dr. NOLAN. Yes, sir. I understand that. This program has never borne the full cost of our efforts to promote its use among educators. The $90,000, for example, last year did not provide the total cost which in fiscal 1982 was $148,000. The American Printing House is a nonprofit organization. We have never looked closely to the costs of this communication of information about this program until very recently, when our financial situation went from being in the black into the red.

Senator PROXMIRE. Dr. Nolan, I am confused by the figures given in your justifications. I'm not referring to dollars but the number of catalogs distributed. I understand you distributed 14,000 in 1982; plan to distribute 17,000 in 1983; and have requested funds to distribute 24,000 in 1984, an increase of 7,000 over the current level.

Dr. NOLAN. It's a number paid for from the appropriation, sir.

Senator PROXMIRE. Well, the question is why are you paying for more next year.

Dr. NOLAN. We distributed more than the program paid for in the past.

Senator PROXMIRE. Who paid for that distribution?

Dr. NOLAN. The American Printing House of the Blind did.

Senator PROXMIRE. Where did they get the money?

Dr. NOLAN. They get it from other resources. Being a nonprofit organization doesn't mean you can't make profits. We do a lot of contract work.

Senator PROXMIRE. Then why do you need to spend more Federal money on distribution next year? Do you anticipate you won't be able to do that contract work?

Dr. NOLAN. That's correct.

Senator PROXMIRE. Why is that?

Dr. NOLAN. We're operating at a deficit. In fiscal 1982, our deficit was $19,000, and last year it was $233,000. This year we anticipate a greater deficit.

Senator PROXMIRE. How did you cover your deficits in the last couple of years?

Dr. NOLAN. Out of contingency funds.

Senator PROXMIRE. Have those contingency funds dwindled so you have little left?

Dr. NOLAN. That's correct, sir.

Senator PROXMIRE. How much do you have in your contingency fund?

Dr. NOLAN. We have probably $2 million, but these are our own funds.

Senator PROXMIRE. What is your total catalog distribution?

Dr. NOLAN. This would be it. We have covered the total catalog distribution for fiscal 1984 in our request.

Senator PROXMIRE. So you're requesting that the entire cost of distribution be covered by this appropriation?

Dr. NOLAN. Yes, sir.

Senator PROXMIRE. This was not the case in the past?

Dr. NOLAN. That's correct.

Senator PROXMIRE. In 1983, what was your total catalog distribution?

Dr. NOLAN. I can't give you the number offhand.

Senator PROXMIRE. Would you provide that information for the record?

Dr. NOLAN. We will.

[The information follows:]

CATALOG DISTRIBUTION

In fiscal year 1982 we distributed 28,752 catalogs listing braille textbooks, large type textbooks, educational aids, and braille music.

BASIC BEHAVIORAL RESEARCH PROGRAM

Senator PROXMIRE. Can you tell us something about the basic behavioral research program? I want to know how much you spent for that activity in 1982 and how much you plan to spend in 1983 and 1984. What sort of work is this money paying for?

Dr. NOLAN. We do very little basic behavioral research at the moment, and I think in 1983, we had only one project that was funded by a grant from special educational programs for about $40,000, which studies the techniques whereby totally blind children tactily read graphics. The money in our appropriation was devoted entirely to the development of materials.

Senator PROXMIRE. You plan to increase advisory committee support by $50,000 or about 55 percent next year. Can you tell us why an increase of this magnitude is necessary?

Dr. NOLAN. Well, the main problem is that to which you just alluded. As we have experienced an increasing deficit, we have made a careful analysis of our costs, and we found that, as I mentioned, in fiscal 1982 we had $90,000 under the act to cover the cost of disseminating information to the field about this program. Our actual costs were $148,000, so we are asking that this amount be added to the $90,000, or the difference. It is not entirely the difference.

Senator PROXMIRE. What is your projected combined cost for 1983 and for 1984 for the advisory committee.

Dr. NOLAN. I have only the cost for—the actual cost in 1982 was $148,000. We are asking for $140,000 for fiscal 1984.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator WEICKER. Thank you very much, Dr. Nolan.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Gentlemen, I thank you all, and there will be additional questions that will be presented to you for response to the record.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

EXPLANATION OF 1984 BUDGET REQUEST

Question: What indication do you have that states or local governments or school districts will be able to contribute 10 percent for this program when you are, at the same time, proposing to dump many other programs in their lap?

Answer: We have not talked to all 152 eligible institutions involved. However, some have indicated they will probably never be able to match. Others will require special legislation. Some are at the start of new biennial budgets and have no possibility of matching until fiscal year 1986. Some have said they could match in fiscal year 1984.

Question: Now that you are identifying additional numbers of students who are eligible for assistance as a result of P.L. 94-142, how can you consider asking for a decrease in the Federal contribution?

Answer: The decrease in the request is the result of the requirement by OMB for a 10 percent matching by eligible institutions. In the opinion of the American Printing House, the Federal contribution should be increased to accommodate the increased number of eligible students. The request of $5,070,000 for educational materials would maintain the per capita amount at $121.29 which is the amount for fiscal year 1983.

SOURCES OF SUPPORT

Question: What portion of the total cost of operating the Printing House is derived from Federal appropriations?

Answer: About 40 percent of our operating cost is derived from the appropriation.

Question: How much is derived from the sale of products by the Printing House, and how much does the Printing House receive from private contributions or endowments each year?

Answer: In fiscal year 1982, sales to all customers equaled $11,796,616. Private contributions equaled $1,659,431. Private funds were used primarily to support the publication of *Reader's Digest* and *Newsweek* magazines in braille and recorded form.

UTILIZATION OF FUNDS

Question: What states turned back unused allocations in fiscal year 1982, and why?

Answer: The following states did not use their entire allocations in 1982. The total unused balance was small, $238,711 or 5%. Many diverse reasons for lack of use exist. Among these are late orders, changes in personnel, lack of adequate management, failure to identify needs in public schools, continued use of materials, particularly textbooks, beyond their obsolescence, and in a very fe cases no actual need for additional materials.

Arizona
Arkansas
Colorado
Delaware
Hawaii
Illinois
Iowa
Massachusetts
Michigan
Minnesota
Nevada
New Mexico
New York
Ohio
South Dakota
Texas
Utah
Vermont

Question: What was the unobligated balance of the Federal appropriation for fiscal year 1982?

Answer: There was no unobligated balance. All funds were expended for production of educational materials, advisory services, or for educational and technical research.

Question: Give us some examples of how states use their Federal allocation under this program.

Answer: States can use their Federal allocations to order any of the educational materials listed in our catalogs. These include text materials in braille, large type or recorded form, many educational aids, educational tools that students use to write or to listen, and special supplies. States can contract with the Printing House to produce special materials for their own needs. Often, groups of states cooperate to order needed materials not in our catalogs.

Question: What proportion of all the educational materials produced by the Printing House is actually used in the education of blind children and youth?

Answer: Practically all materials we produce are used. In the case of textbooks, some remain unsold and are ultimately discarded as obsolete.

REDUCTION OF COST

Question: Can you provide us with examples of ways you have cut costs through improving production methods?

Answer: Acquisition of new plate-making equipment in our large type department has cut the cost of short run or large type books by about 20 percent. Recent acquisition of a Perfecter Offset Press has cut the cost of lined writing paper for low vision students by 30 percent. In the last 2 years, we have cut the cost of several educational aids by redesign, which enabled us to mold major parts in plastic rather than hand-fabricate them from other materials.

PERMANENT APPROPRIATION

Question: What is the purpose of this trust fund?

Answer: Until 1906 funds for the Printing House were provided by interest of 4 percent on $250,000 invested in United States bonds. When these bonds matured in 1907, this amount was set aside as a perpetual trust. A sum of $10,000 was set up as a permanent annual appropriation from the Treasury Department. This arrangement has existed to the present time.

Question: Why was it established?

Answer: It was established to maintain a permanent base of support to provide educational materials to the blind.

Question: What would be the effect of subsuming the trust fund in the direct appropriation?

Answer: It would reduce the amount available annually for educational materials by $10,000.

Departmental Management

STATEMENT OF CHARLES L. HEATHERLY, DEPUTY UNDER SECRETARY FOR MANAGEMENT

ACCOMPANIED BY:

HARRY M. SINGLETON, ASSISTANT SECRETARY FOR CIVIL RIGHTS
JAMES B. THOMAS, JR., INSPECTOR GENERAL
THOMAS P. SKELLY, ACTING DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. All right. We have the combined account of departmental management, and we have Charles Heatherly, Deputy Under Secretary for Management; Harry Singleton, Assistant Secretary for Civil Rights; James Thomas, Inspector General; and Thomas Skelly, the Acting Director of the Budget Systems Division.

Who is going to handle this discussion? How do you care to handle it?

Mr. HEATHERLY. Mr. Chairman, I will read a summary of our prepared statement, if that's acceptable.

Senator WEICKER. Fine. But first we will include your statement in the record.

Mr. HEATHERLY. And then answer questions.

[The statement follows:]

STATEMENT OF CHARLES L. HEATHERLY

It is a pleasure to be here before you today to present the 1984 budget request for Salaries and Expenses for education activities. This request includes all the agency's salaries and expenses activities with the exception of the Indian Education account which is reviewed by the Interior Appropriations Subcommittee. We are requesting $294.8 million and 5,233 full-time equivalent employees. This is an increase of $15.1 million above the 1983 dollar level and a decrease of 250 full-time equivalents. The total request includes $238.4 million for Program Administration, $42.1 million for the Office for Civil Rights, and $14.4 million for the Office of the Inspector General.

Proposed Technical Changes

In 1984, we propose two technical adjustments to the salaries and expenses accounts for this agency. First, we are proposing the consolidation of three existing salaries and expenses accounts into one. Under this arrangement, there will be a single appropriation with separate line items for: Program Administration, Office for Civil Rights and the Office of the Inspector General. This change will simplify the structure of education accounts and improve the consistency of budget data while maintaining the budgetary independence of the Office for Civil Rights and the Office of the Inspector General. The second change involves the funding for the collectors of defaulted student loans. Since 1979 these employees have been paid under this appropriation through the transfer of collection proceeds from the Guaranteed Student Loans account. In 1984, we are requesting that these activities be funded directly by this appropriation, with a corresponding reduction in budget authority for the Guaranteed Student Loans appropriation. The purpose of this change is to display more clearly the full costs of Federal administrative overhead and allow more comprehensive evaluation of relative administrative priorities and tradeoffs.

Program Administration

For fiscal year 1984, we are requesting $238.4 million for Program Administration, a net increase of $16.4 million above the 1983 level. This activity provides the funding for the administration of the agency's program and staff offices, as well as the advisory committees and program evaluation. In 1984 we are proposing to include in this account the salaries and related expenses of the student loan collector employees currently supported through the transfer of collection proceeds from the Guaranteed Student Loans account. This change will account for $10.5 million of the total $16.4 million increase.

In 1984, a total of $144.8 million will support personnel compensation and benefits of 3,959 full-time equivalent positions, a net reduction of $1.6 million and 254 staff years from the 1983 levels. This reduction in dollars and full-time equivalent positions will be achieved primarily through attrition and a reduction-in-force of student loan collectors. The decreases in dollar and position levels are possible because of program simplification, less intrusion into State and local affairs, and the agency's continued efforts to streamline management operations and procedures. In the area of student loan collections, we will rely upon collection contractors to maintain and increase the overall collection effort. Based on the satisfactory progress of the contractors, we believe this is an excellent way to achieve the Administration's reduced employment goal. While limited reductions-in-force may be necessary in some program areas, most of the affected employees will be absorbed through reallocation to other areas.

We are requesting $62.3 million for other services, a net increase of $3.4 million. This item includes activities such as automated data processing, interagency agreements, peer review of grant and contract applications, and space remodeling costs associated with our space consolidation plans. The greatest proportion of other services, or $48.7 million, will fund the automatic data processing activities for the agency. About 73 percent of this data processing budget will support the student financial aid programs. A major portion of the increase, $1.7 million, will be used to develop an interest payment quality control system for the Guaranteed Student Loans program to prevent overpayments on interest and special allowances. One half million dollars has been designated for continuing the development of a single system to integrate all student aid programs. One million dollars of the increase is for more program evaluations and analysis of policy issues and supporting data. The increase is needed to determine the effectiveness of programs and the effects of program consolidations which have taken place, and to analyze proposed solutions to problems of program administration.

For communications, utilities and other rentals, we are requesting $13.5 million, a net increase of $3.5 million above 1983. Most of the increase results from reflecting the mail costs totally within this account. In fiscal years 1982 and 1983, the mail bill was covered by unneeded balances in expired program accounts to reduce the need for supplemental appropriations.

As a result of improving our utilization of space and adjusting to staff reductions, we are requesting $8.9 million or $600,000 less than in 1983 for space rental charges.

The balance of our request for Program Administration, $8.9 million, covers travel, transportation of things, printing, supplies and equipment.

Office for Civil Rights

The Office for Civil Rights request is for $42.1 million and 970 full-time equivalent employees. These funds and staff support a compliance enforcement and technical assistance program which identifies and redresses serious violations of civil rights. Activities of this office include complaint investigation, plan monitoring, compliance reviews and technical assistance.

In fiscal year 1984, the budget request provides the capabilities to carry out the office's mission and will support a multi-faceted civil rights compliance program.

Our request for personnel and related costs is $31.9 million, a net decrease of $700,000. We expect lower average salary costs as personnel turnover continues and therefore a net reduction in 1984. The balance of this request, $10.2 million, reflects a decrease of $2.1 million primarily due to our efforts to maximize the use of in-house staff in providing technical assistance to grantee institutions, rather than rely so heavily on contracted technical assistance as in the past.

Office of the Inspector General

For the Office of the Inspector General, the request is $14.4 million, an increase of $1.6 million above the 1983 level. Full-time equivalents will rise slightly above the 1983 level to 304. This office is responsible for promoting economy and efficiency in education programs and operations; providing leadership in the prevention and detection of fraud, waste and abuse; and keeping the Secretary and Congress fully informed as to the status of these activities.

Of the 1984 budget request, $11.1 million covers salaries and related costs. This includes built-in costs for annualization of pay raises and the employer's share of the Medicare tax. A total of $700,000 is for interagency agreements and contracts for the Inspector General's audit program. Travel audits and investigations totals $900,000, and $1.8 million covers other expenses such as ADP, supplies, rent, communications and utilities.

In particular, we will be able to increase the scope and depth of our audits of recipients to concentrate on identifying systemic problems and issues on a nationwide basis. We will also increase levels of effort in the areas of internal audits, quality assessment reviews and indirect cost audits.

I or my colleagues will be pleased to answer any questions you may have on this budget request.

BIOGRAPHY OF CHARLES L. HEATHERLY

NAME	:	Charles L. Heatherly
POSITION	:	Deputy Under Secretary for Management
BIRTHPLACE AND DATE	:	Elizabethton, Tennessee, June 6, 1942
EDUCATION	:	University of Arizona, 1965, B.A. Claremont Graduate School, 1974, M.A.
EXPERIENCE	:	
PRESENT	:	Deputy Under Secretary for Management
1981-1982	:	Executive Secretary, Department of Education
1979-1981	:	Director of Resource Bank and Director of Special Projects, The Heritage Foundation, Washington, D.C.
1973-1979	:	Director of Education, National Federation of Independent Business, San Mateo, California and Washington, D.C.

1969-1973 : Western Director, Intercollegiate Studies Institute, Los Angeles and Claremont, California
1967-1968 : Southern Field Director and Managing Editor, The Intercollegiate Review, Intercollegiate Studies Institute, Bryn Mawr, Pennsylvania
1965-1966 : Eastern Field Director, Intercollegiate Studies Institute, Philadelphia, Pennsylvania

ASSOCIATION MEMBERSHIP : Member, International Council for Small Business
Member, National Business Education Association

BUDGET REQUEST

Mr. HEATHERLY. I am pleased to be here this morning to discuss our combined salaries and expenses budget for educational activities for 1984.

The total request for 1984 is for $294.8 million, and 5,233 full-time equivalent positions, which includes all salaries and expenses activities of the agency, with the exception of Indian education.

This request is an increase of $15.1 million over our 1983 level. Ten and one-half million dollars of this increase covers the proposed funding for student loan collector employees in this appropriation. Our request for 5,233 full-time equivalent positions is a decrease of 250 from our 1983 level.

PROPOSED TECHNICAL ADJUSTMENTS

In this budget, we are proposing two technical adjustments to the current appropriations structure for salaries and expense activities. To simplify the account structure, we are requesting there be one appropriation for all salaries and expense activities.

Under this concept, there will be one line item for program administration, one for the Office for Civil Rights, and one for the Office of the Inspector General.

The other proposal we are requesting is to include as part of this direct appropriation funds for the collection of defaulted student loans. This will consolidate all employees under one appropriation and display more clearly the full cost of the administrative overhead for educational activities.

Funds for the collection of defaulted student loans were formerly collected and transferred from the guaranteed student loan account to departmental management. Therefore, there is an offsetting decrease in the GSL budget authority for 1984.

PROGRAM ADMINISTRATION

For program administration, we are requesting $238,400,000, and 3,959 full-time equivalent positions. Included in this line item are the advisory councils and program and management evaluation, which are separate line items in 1983. Also included in this line item total is $10,500,000 for the collection of defaulted student loans.

We show a reduction of 254 full-time equivalent employees, primarily as a result of attrition and termination of student loan collectors at the end of 1983.

On the other hand, we show a net increase of $5,300,000, some of which can be attributed to an increase of $3,500,000 for mail and telephones. In 1983, mail was funded from unneeded funds from expired accounts, and accounts for $3,100,000 of this increase. The balance is for increased usage for telephones.

And an increase of $3,400,000 for contracts and other services, a major portion of which are $1,700,000 for a GSL interest payment quality control system, and $1 million for program evaluation and analysis of policy issues.

There is an offsetting reduction of $1,600,000 in personnel compensation and benefits resulting from decreases relating to the loss of 254 full-time equivalent employees.

OFFICE FOR CIVIL RIGHTS

Our Office for Civil Rights insures that no persons are unlawfully discriminated against in Federally assisted programs. This is accomplished through investigations, compliance reviews, and technical assistance activities.

Our request for this Office is for $42,100,000 and 970 full-time equivalent staff. That is a net decrease of $2,800,000 below our 1983 level.

However, full-time equivalent positions remain at the 1983 level. This decrease in dollars is attributable to a reduction in personnel costs, a decrease in contracts, and reduction in the mail contribution.

OFFICE OF THE INSPECTOR GENERAL

The Inspector General functions to promote economy and efficiency, detect fraud, waste, and abuse. Our request is for $14,400,000 and 304 full-time equivalent positions.

Although the number of full-time positions increases only slightly above the 1983 level, there is a $1,600,000 increase to support contracts and interagency agreements for audit services, increases for ADP, and built-in increases for salaries and benefits.

SUMMARY REMARKS

In closing, I would like to point out that we are making progress in reducing employment levels in this agency through attrition, reduction in force of the student loan collectors, program simplification, and the streamlining of management operations.

At the same time, we are limiting dollar increases, too, through better management of personnel resources, and compliance with new limitations on work space requirements.

Finally, as a part of reform 88, this administration's program to strengthen management administration throughout the Government, we are improving internal controls, accelerating automation and ADP services, developing financial management improvements, and increasing our debt collections significantly.

We would be pleased to answer questions of the panel.

CONSOLIDATION OF SALARIES AND EXPENSES ACTIVITIES

Senator WEICKER. The Department proposes legislative language to combine the now separate accounts for the Office for Civil Rights and the Inspector General into the Department's general salaries and expenses account by earmarking.

If I recall correctly, we went out of the way during consideration of the Omnibus Budget Reconciliation Act, to be sure to authorize separate authorizations for civil rights and the Inspector General, in order to avoid jeopardizing the integrity of these two groups.

What is your motive for combining them?

Mr. HEATHERLY. The two offices would still have separate line items, would still be identified—easily identified within our budget. The preparation of the budget internally and presentation would be much the same as it is today.

The reason for the consolidation is simply administrative economy and overhead in the preparation of reports and the handling of the budget operations vis-a-vis OMB, the Treasury.

And internally—and we do believe it makes sense, being one department, to present our total S&E budget as one budget. It also simplifies the management of the Department internally.

Senator WEICKER. That would enable you to go ahead and reprogram, wouldn't it, rather than making appropriations change?

Mr. HEATHERLY. We would seek the consent of the committee on any movement of the funds.

DECREASE IN OFFICE FOR CIVIL RIGHTS

Senator WEICKER. The Office for Civil Rights is responsible for compliance review directed at recipients of education funds who do not appear to be in conformance with key civil rights requirements, as we well know, in the State of Connecticut.

Mr. SINGLETON. That's correct.

Senator WEICKER. You are proposing a decrease in funding of $2,800,000 from last year's appropriated level of $44,800,000, which you explain will be achieved by continued personnel turnover and by doing more inhouse work on technical assistance.

Now, I'd like to have you comment. It seems to me you're trying to get less qualified people under this kind of system.

Maybe you would like to comment on this decrease.

Mr. SINGLETON. Well, Mr. Chairman, with respect to achieving savings in salaries, our attrition rate is approximately 6.5—seven people per month. We find that a great percentage of our staff are highly professional people, and when we go to fill those positions, those vacancies, often it's not necessary to bring the people in at the very high levels they often go out at, if you will. As a result of that sort of phenomena taking place, we feel we can save quite a bit of money by bringing people in at a lower rate.

The other large saving that we anticipate here will be in the area of contracts. We are going to begin to do much of the technical assistance activity inhouse, particularly with respect to the training aspects of that, rather than rely upon outside contractors as we have in the past. It has been our feeling that much of the performance that we have received, or witnessed rather, from the contractors has been spotty. Some of it has been good, some of it hasn't been good. We feel that we can control the kind of delivery, or, if you will, the training as delivered to the recipients in a much better fashion by doing it ourselves.

REVIEW OF SECTION 504 REGULATIONS

Senator WEICKER. It's my understanding that you are participating in reviewing proposed changes in section 504 regulations, and that the Justice Department has prepared guidelines to assist with the development of the portion which affects the Department of Education.

What changes are you planning to propose for section 504?

Mr. SINGLETON. Mr. Chairman, I'm not planning any changes in section 504. To the extent that any changes would be contemplated for 504, I believe they would have to wait until Justice decided how to proceed with its coordinating regulation.

Senator WEICKER. So at this juncture, then, there is no activity going in on your Department?

Mr. SINGLETON. That's correct. It would have to be initiated in my office and I have no work planned on amending section 504 regulations at this point.

INCREASE FOR OFFICE OF INSPECTOR GENERAL

Senator WEICKER. Well, Mr. Thomas, you are requesting an increase for the Inspector General's office of about $1,500,000.

Do the additional four employees you are seeking to hire and the proposed increase for travel to audit sites account for the additional funds you are requesting?

Mr. THOMAS. To some degree, Mr. Chairman, but a large part of that is additional fixed charges such as rent charges, as well as contracts with other agencies which have been assigned responsibility by the Office of Management and Budget to do audits for all Government agencies who deal with individual institutions and contractors.

There have been some increases and other agency contract amounts. In addition, we are filling vacancies for which there has been no money previously available to fill.

DEFAULTED STUDENT LOANS

Senator WEICKER. In discussing defaulted student loans, the Secretary, when he appeared before the subcommittee, seemed to indicate that the Department may contain a few people on its payroll who are currently in a default status regarding their loans.

Have you identified those employees of the Department who are in a default status?

Mr. THOMAS. Yes, sir. We have.

Senator WEICKER. What progress have you had with regard to the collection of loans in the default status?

Mr. THOMAS. We have worked with the student financial assistance program office and with the supervisors of these individuals. I know personally that some of them have, in fact, come back and made payments; and those who have not are now being counseled. If this does not produce satisfactory results, an offset against their salary will be made.

USEFULNESS OF 1979 VOCATIONAL EDUCATION CIVIL RIGHTS SURVEY

Senator WEICKER. Mr. Singleton, to what use have you put the 1979 vocational educational civil rights survey?

Mr. SINGLETON. Well, that survey indicated a couple of things to us, Mr. Chairman. One, it indicated that there was a significant underrepresentation of handicapped individuals in vocational education programs. Also, I think almost every type of institution we surveyed which provides these programs showed that there was a concentration of handicapped individuals in home economics or office-type activities.

These activities, from a vocational standpoint, are the least remunerative. We also noted that where a local educational authority had a placement program, that there tended to be a more uniform placement of handicapped individuals.

Taking off on that, we have embarked on a program of training—trying to enlighten those individuals who would be responsible for placing handicapped individuals in order to eliminate the discrimination that's taking place.

Our training activities have focused at the State level to assist each State to carry out its method of administration.

Furthermore, we have done a good bit of training with respect to our regional staffs, providing them with the necessary tools to go out and do individual training at the local level as requested by the various local educational authorities.

RESULTS OF 1979 VOCATIONAL EDUCATION SURVEY

Senator WEICKER. The Office for Civil Rights data from the vocational education survey of 1979 identified a great number of programs that did not enroll handicapped students.

For example, 33 percent of the 946 area vocational schools surveyed showed zero to 1 percent handicapped in occupational preparation programs.

Fifty-two percent of area vocational centers show zero to 1 percent total handicapped enrollment.

Fifty-eight percent of the 22,337 vocational programs in comprehensive high schools show zero to 1 percent enrollment of handicapped.

Seventy-one percent of the junior and community college vocational programs indicated zero to 1 percent enrollment of handicapped students.

Fifty-nine percent of all types of vocational programs in all categories reported only zero to 1 percent handicapped enrollment.

I'm not imagining. I have some basis for what I'm saying. But the complaints in this area are probably 50 percent race and sex, and probably the other 50 percent are in this area here of handicappped.

Mr. SINGLETON. Without a doubt.

Senator WEICKER. And I'd like to know what we're doing about it.

Mr. SINGLETON. Well, as I said, we saw the same thing that you pointed out. I might add that the information we put together for the subcommittee was never put together quite in the fashion that it was requested. We were pleased with how we structured that information. It showed us a number of things that I don't think we were aware of before ourselves.

However, the point to be made here is that we recognize that there is a problem. We think that a good deal of the problem can be remedied through technical assistance activity, by pointing the problem out to various officials in charge, and providing them with guidance as to how they can go about remedying the problem.

The other thing, too, of course, is that we have targeted this area for our compliance reviews, and although I cannot give you a specific number, I know this is an area that's being looked at.

COMPLIANCE REVIEWS ON HANDICAPPED DISCRIMINATION

Senator WEICKER. How many people do you feel are qualified in your Department to get into this field and to be effective in it?

I'll tell you, it's a very specialized area. My subcommittee staff are all people who are well versed in the whole situation as it relates to the handicapped. I couldn't just pick out a normal staff around here and stick them into that subcommittee.

Mr. SINGLETON. That's right.

Senator WEICKER. I was wondering what the situation is vis-a-vis your personnel as to whether they might be well equipped to handle matters of race discrimination, sex discrimination, et cetera, and how well qualified they are in the sense of the handicapped discrimination.

You are asking for a decrease in moneys, and what I'm saying to you is that this is the other half of your job, and people that are qualified in this area don't come cheap, believe me.

A layman can identify and relate far easier to the discrimination that might occur as a result of race and sex than they can in this rather technical area of the handicapped, and I'm just wondering whether or not your budget is going to adequately give you the capacity in this area to enforce the law.

Mr. SINGLETON. Well, I think that we certainly have qualified people on the staff who are sufficiently familiar with the area that they can give adequate guidance and assist in training other staff that will then assist them in remedying the problem. In short, we rely on the expertise we have in-house to train our staff to develop training programs to assist in the compliance program.

Senator WEICKER. I would like, without taking further time here, to have a member of my staff on the Subcommittee on the Handicapped be in touch with you, and I will be honest with you: I think you are a fine person and I have total confidence in what you are going to do and what the laws calls upon you to do and certainly even more, I'm sure, but I would like to have a member of my staff contact you and see exactly by their standards how they feel you are set up in this area to do the job.

Mr. SINGLETON. All right.

Senator WEICKER. I realize the budgetary constraints that confound us, but we are talking about enforcement here and compliance, and I repeat, that's a very specialized area, but it doesn't do half, literally, of what you're charged with.

Mr. SINGLETON. Indeed it doesn't.

Senator WEICKER. Senator Proxmire.

LOAN COLLECTION BUDGET

Senator PROXMIRE. Secretary Heatherly, are you planning to spend $10,500,000 for collectors of defaulted guaranteed and direct student loans that were formerly paid for out of collection proceeds?

Mr. HEATHERLY. Yes, sir.

Senator PROXMIRE. Is this the extent of your loan collection budget?

Mr. HEATHERLY. Well, it has always covered the bulk of the collection activity and the student financial aid, but it doesn't include all of the overhead—administrative overhead involved in the collection effort, no, sir. We are trying to better identify what this total administrative overhead is.

Senator PROXMIRE. What is your total budget request?

Mr. HEATHERLY. I can't answer that specifically because it's difficult to pin down.

Senator PROXMIRE. Will you do that for the record?

Mr. HEATHERLY. Yes.

Senator PROXMIRE. As nearly as you can.

[The information follows:]

LAON COLLECTION BUDGET

The total loan collection budget request for fiscal year 1984 is $20,859,800. This includes $10,312,000 for the Federal insured student loans (guaranteed student loans/GSL) program and $6,013,000 for the national direct student loans (NDSL).

LOAN COLLECTION CONTRACTORS

Senator PROXMIRE. On page 3 of your statement you say:

> In the area of student loan collections, we rely upon collection contractors to maintain and increase the overall collection effort. Based on the satisfactory progress of the contractors, we believe that that is an excellent way to achieve the administration's reduced employment goal.

Now, as I understand it, the collection contractors take 30 to 50 percent of the amount collected, and I wonder what was the basis for your decision to reduce your collection staff from 370 to 240.

Was that done on the basis of a benefit-cost analysis or just a hunch?

Mr. HEATHERLY. No; it's done on the basis of our analysis so far of the performance of these collectors. The actual commission paid is 24 cents on $1 and 42 cents on the two separate contracts because of different kinds of paper, different conditions in different parts of the country, but it does not go as high as 50 cents.

Senator PROXMIRE. Did you make an analysis that showed it would be in the Government's interest to farm this collection out to private collectors instead of using your own personnel?

Mr. HEATHERLY. Yes, Senator. We did that in consultation with OMB at the very highest levels.

Senator PROXMIRE. Will you give us a copy of that analysis for the record?

Mr. HEATHERLY. We will; yes, Senator.

[The information follows:]

[CLERK'S NOTE.—The Booz-Allen and Hamilton report referred to in the information that follows is contained in the subcommittee's files.]

STUDENT LOAN COLLECTIONS ANALYSIS

On March 19, 1981 Secretary Bell reached a decision to contract out to private collection agencies a large portion of the Department's defaulted student loan collection effort. The number of Federal collection offices was to be reduced from 10 to 3, and the number of Federal term loan collectors was to be reduced from a March 1981 level of 955 to 250 as of January 1, 1982. The complete personnel reduction was not attained, as later increases in collection goals required personnel levels above the 250 target.

Most of the Department's collection work force was established initially as a temporary, one-time measure to reduce an accumulated backlog of uncollected guaranteed student loans. The Office of Education was granted authority by Congress in fiscal year 1978 to hire 1,042 term employees for this purpose. By March 1981 that objective had been accomplished.

A report issued January 26, 1981 by the management consulting firm of Booz-Allen and Hamilton, Inc., on the Department of Education's student loan collection effort stated that "no significant difference exists in the cost-effectiveness of Federal and contractor collection efforts." The contractor efforts reviewed in this study were pilot programs initiated by the Department to empirically examine the issue of contracting out.

As a result of the previous factors, Secretary Bell reached a decision to contract out to private collection agencies part of the collection effort. The goal established for the private contractors' collections was 10 percent of the total value of the accounts transferred over 3 years.

The first transfer of defaulted student loan accounts from the Department to the two private collection agencies occurred on January 26, 1982. During the first full year of operations—from January 26, 1982 to January 25, 1983—a total of $581,600,000 in accounts was transferred to the contractors. More importantly, for performance measurement purposes, the average daily balance of the portfolios held by the contractors during this period was $439,900,000.

For the first 12 months of operations (ending January 25, 1983), the contractors collected $14,300,000 (excluding $1,500,000 from the pilot programs). Baded on the average daily balance of $439,900,000, this represents a 3.3-percent return—almost one-third of the targeted 10 percent collection goal over 3 years.

Two factors argue for a higher collection rate in fiscal year 1983. First, startup activities and normal learning curve productivity factors resulted in collection totals that were much lower in the initial stage of the contract than currently.

Second, merely totaling cash collections for a given period does not adequately measure the performance of the loan collectors. Once a defaulted loan is brought into repayment status, a typical repayment schedule will call for the debt to be paid off over a 12- to 24-month period. Thus, much of the benefits of collection activities will occur as the payments flow in during subsequent periods. Since the contractors have been operating for approximately 1 year, the cumulative effect of the income stream from their collection activities is not yet fully represented in the cash collections figures.

CUT IN LOAN COLLECTION STAFFS

Senator PROXMIRE. OK. Now what effect will the proposed cut of one-third in your loan collection staff have on the amount you collect without using collection agencies? Can you tell us that for the record?

Mr. HEATHERLY. We anticipate no negative impact at all, phasing in additional contractor efforts to pick up that activity.

Senator PROXMIRE. I just wanted to know how much of a cut you are taking in in-house collections.

Mr. HEATHERLY. The number of people who will be reduced or released by the end of this year——

Senator PROXMIRE. Not the people, the amount.

Mr. HEATHERLY. The amount?

Senator PROXMIRE. The dollars and cents that will be collected if you spent the amount you plan to save.

Mr. HEATHERLY. I will have to provide that.

[The information follows:]

EFFECT OF REDUCTION ON LOAN COLLECTION STAFF

We do not expect a reduction in fiscal year 1984 in the amount collected by in-house collections staff. Although staff will be reduced from 390 to 259 full-time equivalents, we will increase productivity by implementing new technology and redefining the steps and procedures in our collections effort.

OFFICE FOR CIVIL RIGHTS

Senator PROXMIRE. All right. Now, Mr. Singleton, you are proposing a reduction of $2,810,000 for your Office for Civil Rights in 1984—a cut of about 6 percent in your current budget of $44,800,000.

Will you provide for the record a breakdown of this budget for the two years by object class, and tell us now how much of the cut is attributable to a lower average salary because of continued personnel turnover and how much can be accounted for through significant reductions in technical assistance contracts?

Mr. SINGLETON. Senator, I would be happy to comply.

[The information follows:]

OBJECT CLASS BREAKDOWN

For the record the object class breakdown for the Office for Civil Rights follows:

Object classification description	Fiscal year 1983	Fiscal year 1984
Personnel compensation:		
Permanent positions	$28,495,000	$28,053,000
Other personnel compensation	981,000	725,000
Special personal service payments	3,000	5,000
Subtotal, personnel compensation	29,479,000	28,783,000
Benefits	3,096,000	3,121,000
Travel and transportation of persons	1,300,000	1,350,000
Transportation of things	70,000	70,000
Standard level user charges	3,183,000	3,183,000
Communications utilities, and other rent	4,497,000	2,753,000
Printing and reproduction	70,000	80,000
Other services	2,672,000	2,167,000
Supplies and materials	351,000	351,000
Equipment	150,000	200,000
Total	44,868,000	42,058,000

The difference attributable to lower average salary is $442,000; the difference attributable to reductions technical assistance in contracts is $711,000.

PERSONNEL TURNOVERS

Senator PROXMIRE. Now, in view of your reference to continued personnel turnover in 1983 and 1984, I would like to know what you expect your turnover rate to be in 1983 and what you're projecting as a turnover rate in 1984.

Mr. SINGLETON. We are projecting our turnover rate will remain pretty much the same.

Senator PROXMIRE. Why are you having such a problem in turnover?

Mr. SINGLETON. Perhaps turnover is the wrong word to use because of the pejorative connotation that may be associated with it. I think it's just normal attrition. We have a highly professional staff. It's highly mobile and if you look at the attrition rate in our office vis-a-vis, say, the attrition in the Department as a whole, it seems to be comparable.

Senator PROXMIRE. Will you give us your attrition rate over the last 6 years so we can make a comparison and see if there has been a change?

Mr. SINGLETON. Certainly. I'd be happy to do that.

[The information follows:]

ATTRITION RATES FOR OFFICE FOR CIVIL RIGHTS

A comparison of the last 6 years would not really provide you with valid attrition information as the Department of Education was only created 3 years ago. From the formation of the Department (May 1980) to the imposition of the Presidential hiring freeze (January 1981), the attrition rate was approximately nine employees per month. After January 1981 the rate went down to approximately five employees per month, and rose slightly during fiscal year 1982 to approximately six and one-half employees per month. This rate has continued into fiscal year 1983.

HIRING AHEAD OF PRIVATE SECTOR

Senator PROXMIRE. As you know, that can have a very serious effect on efficiency and competence.

Senator WEICKER. Will the Senator yield?

Senator PROXMIRE. Yes, indeed.

Senator WEICKER. I think one of the problems, and I'm sure it's in many departments of the Government, is: the Federal Government having employed ahead of the private sector in executive positions minorities, et cetera, is raided all the time now by everybody else after they gave their expertise, and the great talent pool is here.

I just want to make sure the talent pool doesn't dwindle down to nothing. That's part of the problem.

Mr. SINGLETON. I agree. Case in point: I was just advised yesterday that one of my prime EOS's, the equal opportunity specialist involved in one of our major higher education desegregation cases, is resigning to take a position with a State government as head of their EEO office.

Senator PROXMIRE. Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Gentlemen, thank you very much. There will be other questions submitted for response to the record both by the Chair and by other Senators on the committee.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CONSOLIDATION OF SALARIES AND EXPENSES ACCOUNTS

Question: As you know, we have been presented a legislative proposal to establish one account for salaries and expenses for the Department, replacing a separate account to provide funds for the Office of the Inspector General. Don't you believe the "blending" of these accounts might have the potential of jeopardizing your integrity?

Answer: The Inspector General does not believe the blending of these accounts will jeopardize the integrity of this office. The question may more likely be one of appearance of independence of the office and our performance record must answer this question.

If the consolidation is approved, the Department intends that budgeting data on the Office of Inspector General will continue to be presented in future budget submissions as a separate line item. While the consolidation would allow the Department to reprogram funds from the Inspector General's Office, thereby impacting its ability to perform, in testimony before this Committee, Mr. Heatherly stated that the Department would seek the consent of the Committee on any movement of the funds.

OFFICE FOR CIVIL RIGHTS STAFFING

Question: The Office for Civil Rights is responsible for compliance reviews directed at recipients of education funds who do not appear to be in conformance with key civil rights requirements. You are proposing a decrease in funding of $2.8 million from last year's appropriated $44.8 million, which you vaguely explain will be achieved by: (1) continued personnel turnover; and (2) by doing more "in-house" work on technical assistance. It appears you are making a concerted effort to get less qualified people so that you can pay them a lower salary.

Would you care to comment?

Answer: The attrition rate in the Office for Civil Rights is approximately seven people per month--a figure comparable to the Department as a whole. The large percentage of OCR staff are professional people with high mobility among other government agencies and the private sector. The opportunities for advancement come most often to those who, because of their skill and tenure, command our highest salaries. When these vacancies do occur, it is not necessary to bring in a replacement at the same high salary level of the individual who is departing. As a result, savings are achieved without diminishing the professional quality of the work performed.

CONSOLIDATION OF ACCOUNTS

Question: The Department proposed legislative language to combine the now separate accounts for the Office for Civil Rights and the Inspector General into the Department's general "Salaries and Expenses" account by earmarking.

If I recall correctly, we went out of our way, during consideration of the Omnibus Budget Reconciliation Act, to be sure to authorize separate authorizations for Civil Rights and the Inspector General in order to avoid jeopardizing the integrity of these two groups.

What assurance can you give for maintaining their independence from the more "political" general "Salaries and Expenses" account?

Answer: Our proposal to include the Office for Civil Rights and the Office of the Inspector General within a consolidated account will not affect the independence of either activity. The funds for each will be identified as separate line items in the salaries and expenses account. Since no transfers will take place between those line items and the program administration line item without approval of the Committee, both budgets will remain as independent as they have been in the past.

DISMANTLING OF DEPARTMENT

Question: You carefully deleted reference to the Department from bill language you submitted to us. You explain that a legislative proposal to reassign education activities to appropriate executive departments and agencies will be submitted to the Congress "at a later date". When do you expect to present the proposal for dismantling the Department or changing its status?

Answer: We do not have any specific date for submitting the proposal for dismantling the Department at this time. Representatives of the Administration are working with Congress to develop the most appropriate approach.

Question: In February, the Secretary said at a news conference that, with regard to the Department's status,"...We might come up with something entirely different". One possible proposal, we understand is the establishment of an "administrative" consortuim of education programs. Could you elaborate on this or other proposals now under discussion?

Answer: Several alternatives are under consideration through which the President's goal might be achieved including the foundation approach, merger with another Department and dispersal of programs among agencies with related or similiar functions.

ADVISORY COMMITTEES

Question: During 1981 the cost of the advisory committtes of the Department of Education was more than $1.9 million. As of October 1982 the Department of Education had 17 advisory committees, 4 of which held no meetings during the period January 1, 1981, to June 30, 1982. A GAO study has recommended that 5 committees be terminated and 2 merged.

What beneficial contribution do they make to the improvement of education in the nation?

Answer: Advisory committees are one method of public participation in the federal process, providing opportunity for the concerns and expertise of members to be utilized by the executive and legislative branches. Our advisory committees have contributed beneficially in a variety of areas.

They have aided the Department in the administration and operation of programs, such as in the streamlining or eliminating regulations and recommending improvements in service or reduction in cost; providing valuable advice and counsel on the general policies of the Department; and recommending changes in education legislation.

PROPOSED CHANGES TO SECTION 504

Question: It is my understanding that you are participating in reviewing proposed changes in "Section 504" regulations, and that the Justice Department has prepared "guidelines" to assist with the development of the portion which affects the Department of Education.

Will these changes mirror the proposals made for the Education for All Handicapped Children Act?

Answer: The Office for Civil Rights has no plans to amend Section 504 regulations at this time.

1979 VOCATIONAL EDUCATION CIVIL RIGHTS SURVEY

Question: In view of the fact that about half of the complaints you receive are based on discrimination against the handicapped, your activities most certainly must reflect at least proportionate balance. However, little things keep being brought to my attention, such as:

How much dust is the 1979 Vocational Education Civil Rights Survey collecting, and on what shelf?

Answer: The 1979-80 Civil Rights Vocational Education Survey data has been a valuable tool to measure the delivery of services to protected groups in vocational education. The following are examples of how OCR uses this survey:

The data are used to support OCR and state compliance activities. Specifically, the data are used (1) to target those vocational schools that are most likely to be in violation of the civil rights statutes for compliance reviews; (2) to monitor the operation of State agency compliance programs; (3) to identify vocational schools for the provision of technical assistance and training--OCR has provided training to over 3,000 local and state vocational agency persons, parents and handicapped in the past year; and (4) to evaluate program achievement and progress for protected groups including the handicapped in vocational education.

Question: What plans do you have for updating the data collection in the 1979 Vocational Education Civil Rights Survey?

Answer: The latest Adams order states that the Office for Civil Rights intends to conduct a survey this year beginning in the fall of the vocational education institutions surveyed in 1979. At this late date, we will find it very difficult to have a survey design in place in time to conduct such a survey. While we are presently investigating the procedures required for the clearance of such a survey, we also find the Adams order ambiguous. It is unclear from the statement "OCR intends to conduct" whether the court has ordered us to do so. We are giving further consideration to possible interpretations of that provision. In the meantime, we have been exploring with the National Center for Education Statistics (NCES) various alternatives for obtaining more recent data of faculty representation and study enrollment in various vocational education programs. NCES collects this information annually as state aggregates, and much of the data is comparable to OCR's 1979 Survey of Vocational Education Schools.

END OF YEAR SPENDING

Question: Last September it was reported that the Inspector General's office had obtained evidence that the Department was engaging in "hurry-up" spending at the end of the fiscal year. You reported that the Department awarded $76.2 million or 43 percent of all its contracts, in September 1981, the last months of fiscal 1981. At the same time, the Department also awarded 205 grants totalling $131 million. What recommendations were made to the Department by your office in an effort to avoid repetition of this occurence?

Answer: A review of year-end spending for fiscal year 1981 at the Department showed that the majority of procurement actions awarded in September followed the normal procurement cycle but their award slipped into September because of factors over which the Department had little control and because of inadequate monitoring. The review also identified several instances of "hurry-up" year-end procurements.

To improve controls in this area, the Inspector General recommended the establishment and monitoring of target dates for the completion of technical evaluations and negotiations for each procurement. The Inspector General also recommended that controls be established to assure that no contracts or grants are awarded without a justification of need and a reasonable negotiation.

Question: Did this type of activity markedly improve at the end of fiscal year 1982?

Answer: The Department has instituted a procurement planning system to improve controls in this area. The Inspector General is planning a follow-up audit in this area which is scheduled to begin in April, 1983.

INCREASE FOR OFFICE OF INSPECTOR GENERAL

Question: You are requesting an increase for the Inspector General's office of about $1.5 million over the authorized level. Do the four additional employees you are seeking to hire and the proposed increase for travel to audit sites account for the additional funds you are requesting?

Answer: Of the 1984 requested increase: $11.1 million covers salaries and related costs. This includes built-in costs for annualization of pay raises and the employer's share of the medicare tax. We fully expect to fill all existing vacancies by the end of fiscal year 1983, which will result in an increase in staff years or full-time equivalents' salary costs in fiscal year 1984. A total of $700,000 is to be used for reimbursable interagency agreements with the Department of Health and Human Services and the Defense Contract Audit Agency for specific audit services at educational institutions where they are the cognizant audit agency, and for contracts with independent CPA firms. Travel for audits and investigations totals $900,000, and $1,800,000 covers other expenses such as ADP, rent and telecommunications.

Question: Did the hiring "freeze" imposed on the Office last year result in a backlog of work for which you will attempt to increase productivity?

Answer: The hiring freeze imposed last year reduced our staff level and impacted particularly in our audit effort. Our overall staff fell from 288 in October, 1981 to 259 by September, 1982.

Although we do not maintain an audit "backlog" as such, we did have to do our audit planning with a reduced staff as a given. We were unable to plan audits in a number of areas we believe needed audit attention or do some audits in the depth and scope we believe were needed.

Regardless of the size of our staff, we continually encourage and explore innovative ways of increasing our productivity and maximizing the impact of our effort.

DEFAULTED STUDENT LOANS

Question: Have you identified those employees at the Department who are in a default status?

Answer: In August, 1982 the Office of Inspector General initiated a computer match of federal employees against defaulted student loan accounts. The results of the match were turned over to the student financial assistance programs office for follow-up and collection efforts. The status of Department of Education employees' loans in default as of March 28, 1983 is as follows:

	NUMBER OF LOANS			
BORROWER STATUS	*FISL	NDSL	GSL	TOTAL
Originally identified	29	37	43	109
No Longer Employed	8	11	3	22
Current ED employees (As of December 1982)	21	26	40	87
Paid or in repayment	6	8	22	36
Still in default	15	18	18	51

*FISL: Federal Insured Student Loans
NDSL: National Direct Student Loans
GSL: Guarantee Agency Student Loans

Some borrowers have more than one loan. The student financial assistance programs office is continuing its efforts to collect on the loan accounts still in default.

Question: What progress can you report with regard to the collection of loans in a default status, compared with previous years' efforts?

Answer: The Department of Education is continuing its efforts to collect defaulted loans. Current initatives include:

The computer match of federal employees against defaulted student loan accounts identified 46,860 current and retired federal employees who are holding over 50,000 defaulted loans valued at almost $68 million;

Referring delinquent debts to credit bureaus;

Contracting with private firms for collection services; and

Developing policies and procedures to implement the payroll offset provision of the Debt Collection Act.

According to reports prepared by the student financial assistance programs office, collections on defaulted student loans have increased in fiscal year 1982 over fiscal year 1981 as follows:

FISCAL YEAR COLLECTIONS

Loan Program	1981	1982	Increase
FISL	$39,371,174	$41,097,428	$1,726,254
NDSL	6,554,617	13,783,523	7,228,906
CUBAN LOANS	203,602	589,765	386,163
Totals	$46,129,393	$55,470,716	$9,341,323

OFFICE FOR CIVIL RIGHTS

Question: The budget assumes that OCR personnel will assume more responsibility currently performed by contractors. Yet, this will be done with less funds and the same number of staff. How are you going to assume new responsibility without staff increases?

Answer: We are in the final stages of planning a reorganization which will eliminate internal duplication of functions and provide simpler work processes. The effect of these changes will enable us to make more efficient use of the staff we have and enable us to absorb new tasks. In addition, new training in the provision of technical assistance is planned which is expected to make our staff more effective and efficient in providing this service.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

PROGRAM EVALUATIONS

Senator Proxmire: You are requesting $3,350,000--an increase of more than 40 percent--for program evaluations and related analysis in 1984. Why isn't your current evaluation and analysis budget adequate? After all, it has produced some pretty dramatic new initiatives.

Answer: The current increase seems large because the fiscal year 1983 amount is low. Since 1978, there has been a steady decline in program evaluation funding. In 1978 the level of funding was $7,085,000, while in fiscal year 1983 the amount is $2,350,000. This steady decrease has forced us to neglect some areas which we will address if we receive the increase.

Senator Proxmire: How do you intend to spend this 40 percent add-on?

Answer: The million dollar increase will be used to start new studies in the areas of:

Financial health of postsecondary institutions, including the effect of federal funds on them;

Private schools: How public agencies have helped private schools and the link between public school districts and private schools;

Education of the handicapped, including effects of P.L. 94-142 on program participants, costs of delivery of services, burden on states and local agencies; and

Rehabilitation services, including effect of program operations.

RENTAL OF CONFERENCE ROOMS

Senator Proxmire: Once again this year you are requesting bill language to permit you to rent conference rooms in the District of Columbia. Why can't you use government space for conferences and training sessions as most other agencies do?

Answer: We do use government space for conference and training sessions as often as possible; however, during the review and evaluation of applications for grants by field readers, it is more convenient and a better use of the readers' time to schedule the process at the hotel where the field readers are staying. In this way we avoid the taxi costs for transporting the field readers from their hotels to the conference space and back.

The Department does have an internal control process whereby all requests for commercial space are reviewed on the basis of need versus type of space available in the Department's inventory. If suitable space is not available, a contract is let to rent it commercially.

Senator Proxmire: How much do you plan to spend on conference room rentals in 1984?

Answer: We spent $16,900 for rental of conference rooms in fiscal year 1982 and estimate that we will spend $17,000 in fiscal years 1983 and 1984.

STANDARD LEVEL USER CHARGES

Senator Proxmire: I notice that despite a slight increase in full-time permanent personnel, your rental costs are scheduled to decline by almost $1 million in 1984. Most Federal agencies are asking for a big rental payment increase. How are you able to save money in this area?

Answer: Our fiscal year 1984 Standard Level User Charge (SLUC), request for rent is $12,879,000 or $986,000 below our estimated $13,865,000 for fiscal year 1983. This requested level was predicated on our understanding that GSA would hold our fiscal year 1984 rates at the fiscal year 1982 level based on an OMB and GSA agreement. We recently learned, however, that such an agreement no longer exists. Therefore, we are in the process of preparing a budget amendment which we expect to be approximately $6,000,000. Our original budget included plans to reduce 72,821 square feet of space before fiscal year 1984, resulting in a savings of $986,000 at $13.54 average cost per square foot. The budget amendment will also reflect the reduction in square footage.

DATA PROCESSING

Senator Proxmire: You state on page 274 of your justifications that improvements in automatic data processing systems costing an additional $4.1 million will assure "lower operating costs later". Can you be a little more precise? Tell us how much you expect to save in operating costs as a result of these improvements in 1985, 1986 and 1987.

Answer: Improvements in automatic data processing will increase productivity and will ultimately lower operating costs. However, the lower operating costs will not be realized for the next several years, since we expect to continue to upgrade and improve our current systems.

WORKLOAD MANAGEMENT SYSTEM

Senator Proxmire: On page 270 of your justifications you indicate that personnel staffing levels "were determined on the basis of workload to be performed" yet the Secretary of Education told us last week that the Department did not have a productivity measurement system. Can you tell us what steps you took to allocate your staff on the basis of workload?

Answer: There is no Department-wide work measurement system in effect. However, about 10 percent of the Department's employees are covered by work measurement systems. The Office for Civil Rights employs a work measurement system which examines the productivity of its equal opportunity specialists in the ten regional offices. This represents approximately 46 percent (453 of 987) of OCR's on-board staff. In addition, 91 Office of General Counsel staff are covered by a work measurement system.

In 1982, the Secretary created the Human Resources and Analysis Task Force to conduct a review of the staffing needs of each office based on the Department's priorities and any statutory mandates for that office. The task force reviewed current staffing resources, operating procedures and workload to determine the lowest level of staffing with which they could effectively function. This review resulted in recommendations for position inreases, decreases, and reallocations or the maintenance of current staffing levels. The Secretary reviewed the recommendations with each senior officer and made final decisions on their fiscal year 1983 and 1984 position allocations.

STAFFING LEVELS

Senator Proxmire: On page 273 of your justifications you list 13 offices that receive administrative support through your salaries and expenses account. For the record, break out the 1983 and proposed 1984 staffing levels for each of the offices as well as the 1983 and 1984 budgets of each. And tell us now which of those offices, if any will receive additional staff in 1984 explaining why that additional staff is necessary.

Answer: Shown in the following chart are the dollar and proposed staff years (full-time equivalents) for 1983 and 1984. Four offices are expected to have increases in 1984. They are: the Office of the Secretary, the Office of Planning, Budget, and Evaluation, the Office of Legislation and Public Affairs, and the Office of Inspector General. The increase in staff years (full-time equivalents) is necessary because of increased workload as identified by the Human Resource and Analysis Task Force.

FY 1983 - 1984 Salaries and Expenses Budget
($ in 000)

Budget Entity	FY 1983 Estimate		FY 1984 Estimate	
	$	FTE	$	FTE
Program Administration				
Office of the Secretary*	$ 4,020	95	$ 4,229	100
Secretary's Regional Representatives	7,860	174	7,727	170
Office of Intergovernmental/Interagency Affairs	2,448	53	2,364	51
Advisory Councils	1,750	25	1,750	22
Office of the General Counsel	4,293	87	4,397	89
Office of Management**	57,560	772	60,680	743
Office of Planning, Budget, and Evaluation	5,042	117	5,157	119
Program and Management Evaluation	2,350	---	3,350	---
Office of Legislation and Public Affairs	2,853	69	2,950	71
Office of Elementary and Secondary Education	12,219	285	11,579	231
Office of Postsecondary Education	74,213	976	87,396	1,258
Student Loan Insurance Fund (Reimbursable)	10,500	390	---	---
Office of Educational Research and Improvement	20,979	510	20,726	475
Office of Vocational and Adult Education	5,598	144	5,397	122
Office of Special Education and Rehabilitative Services	18,847	471	18,735	460
Office of Bilingual Education and Minority Languages Affairs	1,992	53	1,945	48
Subtotal Program Administration	$232,524	4,221	$238,382	3,959
Office for Civil Rights	44,868	970	42,058	970
Office of Inspector General	12,840	290	14,395	304
Subtotal Salaries and Expenses	$290,232	5,481	$294,835	5,233
Indian Education Program Administration	2,589	59	1,243	26
Total Department of Education	$292,821	5,540	$296,078	5,259

* Includes Under Secretary, Executive Secretariat, Office of Private Education, the Regional Liaison Staff, and Office of Overseas Dependent Schools.

** Includes Program Administration's Centrally Controlled Budget for ADP, Rent, Communications, Invalid Payroll, etc.

AUDIT COLLECTION

Senator Proxmire: Can you give us some rough idea of how much money the Department actually collected in 1982 and expects to collect in 1983 and 1984 as the result of your audit findings?

Answer: In the most recent semi-annual reports, The Inspector General noted that in fiscal year 1982 a total of $13.3 million had been recovered by the Department related to disallowed or questioned costs reported by the Office of Inspector and sustained by Department officials. It is difficult to estimate the amount of recoveries the Department will obtain during fiscal years 1983 and 1984 because of the many variables involved. Sustained findings in fiscal year 1982 totaled about $150,000,000. In addition, some sustained findings from earlier years are yet uncollected and additional findings will be sustained in fiscal years 1983 and 1984. Management is committed to seek recovery of all sustained findings. Recovery can take a significant length of time, however, primarily because of the Departmental appeals procedure and subsequent court processings.

PRODUCTIVITY IMPROVEMENTS

Senator Proxmire: On page 279 of your justifications you indicate that there will be some output changes in the Office of Inspector General based on an additional four staff years, productivity improvements, and priority changes. Can you tell us what productivity improvements you anticipate?

Answer: The following represents actions undertaken to increase productivity:

Increased use of computerized techniques.

Implementation of improved management information system.

Improved use of prior audit and investigation history in targeting resources to areas most in need.

Joint initiatives with program offices.

Joint initiatives between audit and investigation staffs and with other Inspector General offices.

COLLEGE HOUSING LOANS

STATEMENT OF DR. EDWARD M. ELMENDORF, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:

C. RONALD KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION PROGRAMS

THOMAS P. SKELLY, ACTING DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTION OF ASSOCIATES

Senator WEICKER. We will now discuss college housing loans with Assistant Secretary for Postsecondary Education Edward Elmendorf. Dr. Elmendorf, if you will go ahead and identify those accompanying you, your statement will be included in the record and you may proceed any way you deem appropriate.

Dr. ELMENDORF. Thank you, Mr. Chairman. On my left is Mr. Thomas Skelly from the Office of Budget and Planning, who is the Director of Budget Systems.

On my right is Dr. Ronald Kimberling, who is the Deputy Assistant Secretary for Higher Education Programs, including the college housing program.

PREPARED STATEMENT

I would ask, Mr. Chairman, that you take the two-page statement in its entirety and include it in the record.

Senator WEICKER. It will be included in the record.

[The statement follows:]

STATEMENT OF EDWARD M. ELMENDORF

I am pleased to have this opportunity to appear before you to present the fiscal year 1984 request for the college housing loan program. This year, as in fiscal year 1983, we are requesting no budget authority for this account.

We are requesting no authority to make new loan commitments under the college housing loan program in fiscal year 1984. In addition, we are requesting that the authority to make $40 million in new loans for fiscal year 1983 granted in the second continuing resolution be withdrawn. The Nation is no longer facing the rapid expansion in enrollment and the resulting need for student housing which this program was designed to address. Today, in fact, enrollments are declining, particularly among college and university students of the traditional 18- to 24-year-old age group who are most likely to reside on campus. If no new loans are made in 1983 and 1984, there will be an excess of loan repayments over operating expenses. These funds will be transferred to Government National Mortgage Association (GNMA) to amortize debt on the principal of participation certificates sold to the public many years ago. In 1987 and 1988, approximately $450 million must be repaid to the public through GNMA. As of the end of fiscal year 1982, the Department had repaid approximately $50 million to GNMA as trustor. Therefore, approximately another $400 million must be repaid prior to January 1988. It is important that we fulfill our obligation to the public by repaying these funds in a timely manner, that we avoid unnecessary appropriations in future years, and that we maintain the fiscal integrity of the program.

In prior years, a small permanent indefinite appropriation was required to meet the deficit which results from the loan of money to institutions at a rate of 3 percent, while paying 6 percent interest on the participation sales certificates issued under the authorization of the 1967 Appropriation Act. For 1984, no funds will be required under the permanent appropriation because there will be sufficient funds available at GNMA from interest income in the participation sales fund to cover the small deficit.

This concludes my remarks. My colleagues and I will be happy to answer any questions you may have.

BIOGRAPHY OF EDWARD M. ELMENDORF

Name: Edward M. Elmendorf.

Position: Assistant Secretary for Postsecondary Education.

Birthplace and date: Oneonta, N.Y., August 1, 1939.

Education: Hartwick College, Oneonta, N.Y., 1961, B.A.; Springfield College, Springfield, Mass., 1966, M.A.,; University of Massachusetts (Amherst), 1975, Ph. D.

EXPERIENCE

Present: Assistant Secretary for Postsecondary Education.

1981–82: Deputy Assistant Secretary for Student Financial Assistance.

1974–81: President, Johnson State College, Vt. Appointed in 1974 by the Vermont State Colleges' Board of Trustees as the chief executive officer and institutional spokesman.

1973–74: Vice president for administration, acting president, January to June 1974, Johnson State College, Vt.

1972–73: Doctoral candidate, University of Massachusetts.

1966–72: Dean of admissions, financial aid and housing assistant to the president, director of summer sessions, Johnson State College, Vt.

1965–66: Graduate assistant, Counseling Center, Springfield College, Springfield, Mass.

1961–65: U.S. Naval Reserve, lieutenant.

Association membership: Elected president—Vermont Higher Education Council of Presidents, 1976–77; elected Vermont State representative—American Association of State Colleges and Universities (AASCU), 1977–80; elected Vermont State representative—American College Testing Program (ACT), 1973–81; and elected New England Personnel and Guidance Association Board of Directors, 1971–73.

SUMMARY STATEMENT

Dr. ELMENDORF. I will summarize my statement briefly. We are asking that the authority to make new loans be withdrawn in fiscal 1983, and that no authority to make new loans be provided in fiscal 1984.

We believe that the current conditions in higher education suggest that there is not a great demand for building new residential facilities.

As you know, under the college housing program, student housing and dormitory facilities, as well as dining halls may be constructed.

It is our opinion, based on research conducted by the Brookings Institution and the National Center for Education Statistics, that there is a very significant change in the characteristics of students attending higher education.

From 1970–90, traditional students, those below the age of 25 years old, will decrease from about 72 percent of all students to about 53 percent.

We also have data from the Brookings Institution, from the National Institute of Independent Colleges and Universities and from the Association of Governing Boards—all of which point to a decrease or, at best, a stabilization in the number of traditional students who would normally occupy campus residential facilities.

The second major point is that the Government must reduce the participation sales certificate, totaling $450 million by 1987. The certificates were used to help finance the college housing loans made in prior years.

We recommend that Congress use the funds that are coming back to the Government in principal and interest payments to prepare for the payment that will be required in 1987, instead of making additional loans.

We would like to have Congress put these repayments aside so that there will be no surprises in 1987 when this payment is due.

That concludes my statement, Mr. Chairman. I will be happy to take questions.

Senator WEICKER. Senator Proxmire.

DELINQUENCIES IN THE COLLEGE HOUSING LOAN PROGRAM

Senator PROXMIRE. Delinquencies under the college housing program have been a concern for some time, increasing from $2,300,000 in 1973 to $23,300,000—in other words, a 1,000-percent increase—in November 1981.

A GAO review carried out last year noted several instances where loan provisions were not enforced. For example, GAO identified about $1,200,000 in reserve accounts which should have been used by these institutions to repay delinquent loans.

What has the Department done to correct this problem?

Dr. ELMENDORF. Mr. Chairman, there is a Department-wide credit management initiative underway to look at all receivables owed the Department, including those under the college housing loans program.

We have developed a major collections effort for these accounts, and we have established targets for collections in each of the next 2 to 5 years.

Senator PROXMIRE. For the record, will you give us that information in detail, indicating exactly what you have accomplished so far?

Dr. ELMENDORF. Yes, sir. We will submit that.

[The information follows:]

COLLECTIONS EFFORT

In order to maximize collections from delinquent borrowers the program has been mandated, by the Department's Credit Management Board, to formulate and implement a credit management improvement plan that reflects specific collections initiatives and dates for completion. The plan for the college housing program has recently become operational and has resulted in significant improvement in collections.

Under this plan, loan servicers in the Department are required to review each institution in default under the program. This review is intended to result in the collection of the assets of the borrower to the extent that the institution is in default. The assets include all existing reserve accounts and all pledged assets. These are collected and applied to the default. In addition to these assets, institutions are directed, when appropriate, to refund to the Government any revenues collected from alternate use of indebted facilities.

When these resources are not adequate to rectify the default, the following remedies are considered: (1) moratorium; (2) rent receivership; and (3) as a last resort, foreclosure.

CREDIT MANAGEMENT IMPROVEMENT PLAN

Senator PROXMIRE. On page 145 of your budget justifications, you indicate that a credit management improvement plan, including dollar targets and initiatives for the collection of defaulted loans and delinquent loan payments, was developed and implemented during 1982.

What are you doing now to recover those funds that has not been done in the past?

Dr. ELMENDORF. In fiscal 1982, a total of $2.9 billion in loans were outstanding at over 1,216 institutions.

Senator PROXMIRE. I'm talking about college housing.

Dr. ELMENDORF. Yes, college housing.

Senator PROXMIRE. Not total departmental loans.

Dr. ELMENDORF. Just college housing. Of this total, we have about $127 million in default. That is about 4.4 percent of the amount outstanding. A total of 73 institutions, are in default on 160 different loans. We are expecting in this year to improve our collections between both college facilities and college housing by $7 million.

To improve collections, we are now collecting the reserve accounts, and pledged revenues which was not previously done. In addition, we are collecting receipts from alternate uses of facilities constructed under this authority.

Senator PROXMIRE. I want you to be as specific as you can for the record. I don't want to take any time here, but will you also give us a list of institutions in default or delinquent with the amount loaned and the loan origination date?

Dr. ELMENDORF. Yes.

[CLERK'S NOTE.—The information is contained in the subcommittee's files.]

LOW INTEREST RATES

Senator PROXMIRE. Finally, Congress has consistently rejected your budgetary proposals to prohibit new loan commitments under the college housing loan program, yet you continue to request such action.

Wouldn't it make more sense to also recommend some program changes such as raising the rate of interest charged institutions? The current 3 percent rate has been in effect for 20 years.

Twenty years ago 3 percent wasn't so remarkable, but today it is obviously a terrific interest rate.

Dr. ELMENDORF. I think, Senator, you are correct in assessing the situation. Institutions continue to apply for these loans regardless of whether there is a real need for these loans or not. I will look closely at your suggestion and discuss it with the officials in the Department.

Mr. SKELLY. Senator Proxmire, last year Congress did reach a compromise position with the administration, if you will, bringing the new loan amount down from approximately $75 to $40 million. The administration proposed no new loans, so Congress has recognized the need to pay off this long-term debt.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **PROXMIRE**. I appreciate that and I would also like to receive whatever information you can provide the committee regarding more realistic interest charges.

Thank you, Mr. Chairman.

Senator **WEICKER**. There will be other questions submitted for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COLLEGE HOUSING LOANS DEFAULTS

Question: How serious is the problem of deliquency in the College Housing program?

Answer: Of the $2.9 billion currently outstanding under this program, a total of $24 million is currently delinquent. This represents the actual sum of money for which payment is overdue. While the percentage of funds in delinquent status is small, it is a problem which we believe is significant and we are making every effort to improve collections under the program.

Question: What steps have you taken to collect on delinquent housing loans?

Answer: In order to maximize collections from delinquent borrowers, the program has been mandated, by the Department's Credit Management Board, to formulate and implement a credit management improvement plan that reflects specific collections initiatives and dates for completion. The plan for the College Housing program has recently become operational and has resulted in improved collections.

Under this plan, loan servicers in the Department are required to review each institution in default. The end result of this review is to collect the assets of the borrower to the extent that the institution is in default. The assets include all existing reserve accounts and all pledged assets. These are collected and applied toward the defaulted sums. In addition to these assets, institutions are directed, when appropriate, to refund to the government any revenues collected from alternate uses of indebted facilities.

When these resources are not adequate to rectify the default, the following remedies are considered: (1) a one year moratorium on repayments; (2) rent receivership; and (3) as a last resort, foreclosure.

Question: Will you foreclose on institutions that appear unable to make timely payments?

Answer: The Department is reluctant to foreclose on any institution which is delinquent in making payments under the College Housing Loan program and will exercise this option only in extreme cases.

By regulation, the Secretary has several alternative means of relief available in cases where institutions are unable to make timely payments. These options are:

- o Calling in securities pledged as collateral or collecting other assets to eliminate the delinquency;
- o A one-year deferment of mortgage payment;
- o Recasting the loan; that is, renegotiating the total payment schedule;
- o Negotiating a shorter term workout agreement designed to rectify the default; and
- o Imposing recent receivership.

If none of these means of relief resolve the payment problem, foreclosure would be considered.

Since the Department began administering the program in April, 1981, foreclosure has been completed in only one case and is under consideration in a second. In neither case was the Department the first lender to begin proceedings against the institutions in question, and the Department acted only to protect the financial interest of the Federal Government.

Question: What are the characteristics of typical institution which is in default of its College Housing Loan payments?

Answer: The typical institution in default has an enrollment of less than 500 full-time students; is located in remote or isolated communities; has borrowed excessively from private lenders; and is usually a private college which primarily offers liberal arts degrees.

Question: What steps have you taken to comply with the directive from the Congress that the Secretary of Education submit to the House and Senate appropriation committees a "clear-cut, long-term plan" on how the large upcoming payment in the College Housing Loan program will be met?

Answer: The long range plan was submitted to the Congress in September, 1982, and a revised plan is attached. The financial situation differs somewhat from year to year due to changing interest rates and the actual level of repayments back into the fund by institutions. Therefore an annual revision is necessary.

College Housing Loan Program: Participation Sales Fund Balances, FY 1982 - FY 1988
(Federal Assets Liquidation Trust and Federal Assets Financing Trust)
($000s)

	1982	1983*	1984	1985	1986	1987	1988
Principal balance, start of year	$20,428	$41,716	$99,158	$196,718	$290,530	$392,777	$442,108
(Principal plus income)							
(FALT)	(1,958)	(644)	(1,515)	(2,620)	(4,187)	(4,698)	---
(FAFT)	(18,470)	(41,072)	(97,643)	(194,098)	(286,343)	(388,079)	(442,108)
Principal Transfers	34,208	57,442	97,560	93,812	102,247	54,029	---
(FALT)	(11,606)	(871)	(1,105)	(1,567)	(511)	---	---
(FAFT)	(22,602)	(56,571)	(96,455)	(92,245)	(101,736)	(54,029)	---
Retirement of Participation Certificates	-12,920	---	---	---	---	-4,698	-442,108
(FALT)	(-12,920)	---	---	---	---	(-4,698)	---
(FAFT)	---	---	---	---	---	---	(-442,108)
Principal balance, end of year	41,716	99,158	196,718	290,530	392,777	442,108	---
(FALT)	(644)	(1,515)	(2,620)	(4,187)	(4,698)	---	---
(FAFT)	(41,071)	(97,643)	(194,098)	(286,343)	(388,079)	(-442,108)	---

* Reflects the obligation of $40,000,000 in new loans.

Revised 3/83

Question: What impact will the additional directive that the program make $40 million in new loan commitments have on your ability to meet your large upcoming payments?

Answer: The Department has been directed by the Congress to make $40 million in new loans in 1983. With this appropriation in 1983, we will be able to meet our debt to the Government National Mortgage Association (GNMA) in 1987. However, we cannot meet our debt if $40 million per year in new loans are made between 1983 and 1987. We estimate that no more than $14-$15 million per year can be made in new loans after 1983 if we are to avoid an appropriation in 1987 specifically to pay the GNMA.

Since 1977, Georgetown University has received more than $38 million in loans from the Department of Education: $21.4 million in College Housing Loans and $16.9 million in loans under the Academic Facilities Loan program.

Question: Now Georgetown University is a fine institution, but do you have any restrictions with regard to the number of loans an individual institution may receive at any one time?

Answer: There is no limitation on the number of total loans which an individual institution may receive over time. Under the College Housing Loan program, the following restrictions on loans apply: (1) Effective in 1981, an institution may not apply for a reservation of funds for a housing loan for four years after it received a reservation of funds. There is no such restriction on applications for energy conservation. (2) Effective in 1981, the maximum amount of one College Housing Loan is set at $3,500,000 by regulation. (3) An institution may submit only one application per year for a reservation of funds for both housing and energy conservation loans.

Under the Academic Facilities program, the only restrictions are that an institution may receive one loan per year with a maximum amount of $5,000,000. The last loan under this program was provided to Georgetown University as directed by the Congress.

Question: How many other institutions benefit from more than one of the Department's loan programs? (Please provide for the record, a list.)

Answer: Since 1980 when ED was established and was assigned responsibility for administration of the College Housing program, no other institutions have received loan money from both the College Housing program and the Academic Facilities program. With the exception of three congressionally mandated loans to Georgetown University, Tufts University, and Boston College, no new loans have been made under the Academic Facilities program since 1973.

SUBCOMMITTEE RECESS

Senator **Weicker**. The subcommittee will stand in recess until 8:30 a.m. tomorrow when we will begin hearings on the budgets of the related agencies.

Because of the Senate schedule this week, a hearing scheduled on request for libraries, bilingual education and educational statistics will be rescheduled for Monday, March 21 at 10 o'clock.

At that time we will conclude hearings on the Department of Education budget.

Thank you.

[Whereupon at 10:05 a.m., Wednesday, March 16, the subcommittee was recessed, to reconvene at 8:30 a.m., Thursday, March 17.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:30 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Domenici, Byrd, and Burdick.

Also present: Senator Percy.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:

COL. ROBERT W. HAMPTON, DIRECTOR/SECRETARY-TREASURER
ARTHUR J. CURRY, BUDGET OFFICER
BRIG. GEN. H. V. SWINDELL, CHIEF SURGEON AND DIRECTOR OF MEDICAL SERVICES

PREPARED STATEMENT

Senator WEICKER. Today we will have testimony on the fiscal year 1984 budget and fiscal year 1983 rescissions and supplementals for the following agencies: The Soldiers' and Airmen's Home, the Railroad Retirement Board, ACTION, the Corporation for Public Broadcasting, and the National Commission on Libraries and Information Science.

Our first witness is Lt. Gen. George McKee, the Governor of the Soldiers' and Airmen's Home.

General McKee, why don't you introduce your associates. Your statement will be included in the record in its entirety. You may go ahead and give it in a synopsized form or proceed in any way that you are comfortable.

[The statement follows:]

STATEMENT OF GEORGE H. McKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1984 appropriations request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1984 appropriation request as compared with the fiscal year 1983 appropriations.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for 20 years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) nonservice connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; the Surgeon General, U.S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U.S. Air Force; Chief of Engineers, U.S. Army; the Adjutant General, U.S. Army; the Judge Advocate General, U.S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by the Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D.C. Facilities include four domiciliary and three hospital buildings, a service area, a heatiing plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2,061 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of 25 cents from each enlisted member and warrant officer of the Regular Army and Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94–454 increased the monthly withholding to 50 cents. Public Law 96–357 amended the act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of section 815 of title 10, U.S.C., commonly referred to as nonjudicial punishment. The act of 1883 established a permanent fund in the U.S. Treasury and provided for the payment of interest of 3 percent per annum on the fund balance. On December 15, 1973, the act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 8 percent interest on its fund balance. Public Law 94–454, in addition, authorized the collection of a fee from the members of the Home. The permanent fund balance on September 30, 1982 was $119.4 million.

MEMBERSHIP

Our male members range in age from 39 to 98, with an average age of 67. Our female members range from 51 to 88, with an average age of 75. There are 77 female members. The average age of the long term patients in the health care facility is 72.5 years. Average total membership during the fiscal year 1982 was 2,053 including 1,955 present.

THE FISCAL YEAR 1984 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1984 operation and maintence appropriation request at $29,524,000, is $2,465,000 greater than its expected fiscal year 1983 appropriations of $27,059,000 which includes a supplemental of $341,000 for pay raises in fiscal year 1983. Briefly, the increase for fiscal year 1984 will allow for inflation and for a raise in the pay of Home member employees. Additionally, minimal program changes to enhance the comfort and safety of the members will be made. A detailed description of the $2,465,000 increase is included in the Home's justification booklet which has been submitted to the committee.

THE FISCAL YEAR 1984 BUDGET FOR CAPITAL OUTLAY

The Home's fiscal year 1984 capital outlay appropriation request is $1,250,000. This amount is the first installment in the overhaul of the elevator systems in the Scott and Sheridan Domiciliary Buildings.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

BIOGRAPHIC DATA

Personal data: Born: April 28, 1923, Pickens, S.C. Married to Nikki Young. Children: Two. Home town: Lakeland, Fla.

Education: Military—Army Administration School; Air Tactical School; and Industrial College of Armed Forces. Civilian—University of Omaha, B.A. degree, education.

Major permanent duty assignments:

1940 to 1947. Enlisted—Instructor, Airplane Mechanic Course, aircraft crew chief, flight chief, quality control inspector, pilot B-17, B-29 aircraft. Highest enlisted grade, master sergeant.

1947 to 1955. Aircraft commander, squadron maintenance officer, adjutant, operations officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.

1955 to 1960. Command Project Officer, SAC Command System.

1960 to 1961. Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain.

1961 to 1963. Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain.

1964 to 1965. Deputy Commander for Maintenance, Blytheville AFB, Ark.

1965 to 1968. Commander, 72d Bomb Wing, Ramey AFB, Puerto Rico. Commander, 97th Bomb Wing, Blytheville AFB, Ark. Commander, 319th Bomb Wing, Grand Forks AFB, N. Dak.

1968 to 1970. Commander, 19th Air Division, Carswell AFB, Tex.

1970 to 1972. Director, Maintenance and Engineering, Headquarters USAF.

1972 to 1973. Chief of Staff, Strategic Air Command.

1973 to 1974. Commander Eighth Air Force, Guam.

1974 to 1975. Commander, Air Training Command.

1975. Retired.

Decorations and service awards:

Distinguished Service Medal (with 2 Oak Leaf Clusters); Legion of Merit (with Oak Leaf Cluster); Distinguished Flying Cross; Air Medal (with 4 Oak Leaf Clusters); Good Conduct Medal; European/African/Middle Eastern Campaign Medal (with 4 Service Stars); Vietnam Service Medal (with Silver Star); Air Force Outstanding Unit Award Ribbon; and Legion of Merit from Spain.

INTRODUCTION OF ASSOCIATES

General McKEE. Mr. Chairman, with me this morning I have Brigadier General Swindell, Chief Surgeon and Director of Medical Services at the Home, Col. Robert Hampton, Secretary-Treasurer, and Mr. Art Curry, Budget Officer.

I would like to submit my formal statement for the record. However, I do have a few words I would like to add.

What I would like to point out, Mr. Chairman, is that the home is an agency which is not supported by taxpayer dollars. It is supported by contributions from the enlisted personnel of the Army and the Air Force and from court-martial fines and forfeitures into a trust fund which was established for the home 100 years ago this month. A users fee is charged the members who live there. At the present time it is 25 percent of their retired pay.

I just wanted to highlight these facts. We are ready to answer any questions you may have, Mr. Chairman.

Senator WEICKER. Your request is for $29,524,000, is that right?

General McKEE. That is correct, sir. That is for operations and maintenance.

Senator WEICKER. I have your March 10, 1983, letter, which, with your permission, I am going to place in the record.

[The information follows:]

LETTER FROM GEN. GEORGE H. McKEE

10 March 1983

Honorable Lowell P. Weicker, Jr.
303 Senate Hart Office Building
Washington, D. C. 20510

Dear Senator Weicker:

Recently Dr. Steve Bongard visited this agency. He acquired an unusually good grasp of the Home's purpose, status, problems, and appropriations needs. I am scheduled to appear before your subcommittee on 17 March 1983, and consider this a key/pivotal budget for the Home. I am therefore taking the liberty of furnishing you information similar to that recently forwarded to House Subcommittee Chairman Natcher at his request -- a summary of Home conditions to provide a perspective for reviewing our FY 1984 budget request. I believe that this material, combined with Dr. Bongard's knowledge of our operations, will support my conclusion that we must proceed without further delay to restore the Home's facilities and to increase manning to the level required for the care and support of the members, to which they are entitled.

In the interests of brevity and reference ease, our summary is encapsuled in the five annexes to this letter, as follows:

Annex A - Status Summary: description and key events.

Annex B - Table of Urgent Needs: resources required now to get Home restoration well under way, incremented for a 3-year period. Our trust fund can easily support this without cost to taxpayers.

Annex C - PCB Danger: evidence of a new, critical dormitory problem which demonstrates the general need to catch up on deferred renovation and maintenance. I have acted to begin corrective steps within available funds.

Annex D - Medical Work Force: validation of current inadequacy (131 positions) in the Home's specialized hospital, a geriatrics-oriented health care facility.

Annex E - Inspection Extracts: from corroborative findings of The Inspector General, U. S. Army, 1981-83.

Virtually every visitor to the Home shares my strong conviction that our trust fund should be applied promptly to fulfill its Congressional mandate: to maintain, preserve, and modernize this national institution in keeping with decent standards of living and care for the Distinguished Veterans for which it provides. It was my opinion that Dr. Bongard shares these views following his visit with us.

I am looking forward to my appearance before your subcommittee and will be pleased to provide any additional facts you may desire.

Sincerely,

George H. McKee

GEORGE H. McKEE
Lt. General, USAF, Retired
Governor

STATUS SUMMARY
United States Soldiers' and Airmen's Home (USSAH)
Washington, D. C.
8 March 1983

- USSAH - Established 1851 at present site, 2¼ miles N. of US Capitol. Independent federal agency *in nature of Congressional trust.* Supervised by Home Officers and Board of Commissioners, under Secretaries of Army and Air Force. 24 USC 41-60 applies. *Is the nation's home for soldiers and airmen;* provides residence, subsistence, medical, other care to eligible Army-Air Force veterans. Currently serving 2,100 residents including 370 hospitalized. Average age 67.

- FACILITIES - 302 acres, excluding Soldiers' Home National Cemetery (adjacent). 4 dormitories, capacity 2,000+. *Oldest 1854; newest 1962.* Variety of occupational/recreational facilities. On-site 385-bed hospital is JCAH-accredited, long-term health care facility in multistructure complex. *HCF buildings date from 1876-1964.*

- RESOURCES - Exclusive trust fund in US Treasury, the USSAH Permanent Fund. *No burden on taxpayers*; by law, income derives from Army-Air Force military personnel and from interest. *Sole support of USSAH costs.* FY 82 costs: $24.4M O & M, $953K capital outlay. FY 82 income $47M. Trust fund balance $120M. *No expenditures made from fund except within Congressional appropriations,* per 31 USC 725s.

- DECLINE - In past 10-15 years, chronic inflation drove annual cost increases beyond relatively stable income. Forecasts showed clear threat of deficit spending and trust fund's decline to depletion. *This forced drastic economy measures:* staff cutbacks, deferred or cancelled maintenance/upkeep, static programs, no improvements. Periodic Government-wide cuts and freezes also had impact. *Result: deteriorating structures, inadequate staff, marginal equipment, struggle to maintain essential operations/services.*

- SOLUTION - September 1980 (P.L. 96-357): *Congress recognized situation, acted by restoring to USSAH long-denied income* from nonjudicial punishment forfeitures imposed on soldiers and airmen. Added income became effective in FY 82. Counterpart income from courts martial fines has flowed to USSAH since 1851.

- PLANNING - Structural, program, equipment, work force needs are identified in *USSAH Restoration Plan.* Scope is 10-year modernization/renovation period, $151M total estimated cost (FY 80 constant dollars). Plan approved by USSAH Board of Commissioners and Secretaries of Army and Air Force. *Trust fund will readily support O & M plus Plan costs over next decade.*

- RESTRAINT - USSAH budget requests reach Congress via OMB. Initial funding for Plan requested in FY 83 budget ($11.8M) was disallowed; most of FY 84 request for Plan was also disallowed. *OMB has acknowledged needs, but is unable to permit cost growth in face of Administration's economy programs.* Appeals by USSAH Governor and Service Secretaries have had little effect.

ANNEX A

TABLE OF URGENT NEEDS

Among the projects and requirements contained in the USSAH Restoration Plan, those specified below are considered to be among the most important for the immediate future and are in addition to items contained in the Home's Fiscal Year 1984 budget request. Cost estimates are recent. Other elements of that Plan are presently under review and update, and will be addressed in future budget requests.

Immediate Requirements
(in millions of dollars)

	1st Year	2nd Year	3rd Year
Operations and Maintenance:			
Replace/repair dormitory transformer (PCB chemical threat)	$0.4	-	-
Additional work force, Health Care Facility (71 & 60 manyears)	1.4	$ 1.1	-
Capital Outlay, Restoration:			
Architectural and engineering plans and specifications, two principal dormitory buildings	3.3	-	-
Renovation, same buildings	-	29.6	$19.6

Totals:

$2.9 - Operations and Maintenance
$52.5 - Capital Outlay

The 1984 request was permitted to contain $1.25 million in capital outlay funds. This is the first half of a two-year, $2.5 million project, allowed by OMB to overhaul the banks of passenger elevators in the two main dormitories which house over 1,600 members. These elevators are some 20-30 years old, so breakdowns are frequent and increasing -- another condition characteristic of the general need to renovate.

ANNEX B

28 January 1983

RECEIVED
JAN 31 1983
MOECHEL/CARBONELL
+ PARTNERS

Mr. Henry White
Moechel/Carbonell & Partners
29 Mill Road, Box 2355
Wilmington, Delaware 19899

Dear Mr. White:

United States Soldier's and
Airmens' Home Feasibility Study
Commission No. 8132-821

During our field investigation of the above referenced project we discovered a serious health and life safety hazard in the Scott Building. The electrical substation transformers serving the Scott Building contain toxic polychlorinated biphenyls or PCBs. PCBs are suspected of causing cancer in man and have been outlawed by the Toxic Substances Control Act of 1979.

The transformers in the Scott Building are in poor and deteriorating condition. They have been leaking and although these leaks have been repaired, these transformers remain a hazard to the members of the Home. We have recommended in our report as part of the modernization of the Scott Building that these substations be replaced. However due to the severity of the situation we recommend that a concerted effort by the Home be undertaken immediately to remove and replace them.

If you have any question about this matter, please feel free to call.

Sincerely,

Charles C. Franklin

Charles C. Franklin, P.E.
Director of Engineering

Ellerbe Associates, Inc. Ellerbe Architects & Engineers Ellerbe Architects & Engineers, [illegible]
[illegible] MN Washington DC New Orleans LA Austin TX [illegible] Seattle WA

ANNEX C

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
BOLLING AFB, DC 20332

18 FEB 1983

H. V. Swindell, Brig Gen, USAF, MC (Ret)
Director, Health Care Services
U. S. Soldiers' and Airmen's Home
Washington DC 20317

Dear General Swindell

On 15 February 1983, Major Darrell E. Eickhoff of our Medical Manpower Division met with Mr Joseph M. Susaraba of your Resource Management Office. The purpose of the visit was to review your manpower requirements determination process.

The methodology used by the U. S. Soldiers' and Airmen's Home (USSAH) was found to be consistent with accepted management engineering principles employed by the U. S. Air Force. Our desk audit, using appropriate Air Force Manpower Standards and applied to the USSAH medical workload levels, validated the need for at least 556 manpower spaces (exclusive of Housekeeping Services). This conservative estimate represents a deficit of 131 manpower spaces when compared to current staffing.

Sincerely

ALE[illegible] Brig Gen, USAF, MC
Director, Medical Plans & Resources
Office of the Surgeon General

ANNEX D

EXTRACTS
From Past Reports of Annual Inspections
of USSAH by The Inspector General, Department
of the Army, Pursuant to 24 USC 60

1981 Report - "The inspection determined that the USSAH was accomplishing its assigned mission within the constraints reflected in the findings of the inspection report. The Home was well administered, discipline was outstanding and facilities were adequately maintained. All inspectors were favorably impressed with the positive attitude, sincere interest and total dedication displayed by the Home's officers and employees."*

- "With the newly legislated receipt of money derived from actions under Article 15, Uniform Code of Military Justice, financial well-being of the Home has been better insured. There were, however, seemingly inappropriate constraints imposed upon the Home budget submission and execution process. These were created as a result of including the Home budget as part of the President's budget, and thus making it subject to the totals and limitations contained therein."

1982 Report - "Financial constraints being imposed on the Home by the Office of Management and Budget and by Congress were adversely affecting Home operations, especially in the area of health care. The Home's Health Care facility could not afford to hire an adequately sized staff, to purchase state-of-the-art medical equipment, or to perform needed maintenance on aging structures. As a consequence, even a moderate level of health care for Home members could not be assured, and plans for construction of sorely needed new facilities were held in abeyance. Other areas of the Home's operation were similarly affected by the constraints. Most noteworthy of these was the Home's need for energy conservation measures. The energy inefficient design of the Home's old buildings and heating distribution system led to enormous energy losses; however, funds for necessary renovations were not available. Sufficient funds were projected to accrue to the Home's Permanent Fund over the next several years to permit most of the problem to be eliminated; however, the Home will need assistance and support in obtaining release of these funds for Home use."

1983 Report - "The spirited sense of responsibility and the dedication to mission accomplishment of the United States Soldiers' and Airmen's Home's (USSAH) management towards improving and/or upgrading the quality of life for its members were commendable. .... It was noted that .... noteworthy quality of life initiatives had been completed and that several others were planned for completion in the Spring of 1983. Although not all inclusive, the initiatives noted .... indicated the degree of involvement and concern that USSAH's management exhibited to provide the best possible environment and quality of life for its members."

- "(The Home needs to) realize an increase in future budgetary authority for the purposes of: (1) correcting deficiencies of age, deferral, and austerity; and (2) for modernizing living conditions and standards until they reach levels of adequacy and decency which should be expected of this national institution. However, the need for additional funds was the first aspect of a two part problem, the second was the need for an adequate workforce to implement future plans. In fewer than eight years, the USSAH's authorized employee strength had declined 21 percent. In spite of these constraints, the USSAH achievements during the past four years had been remarkable. Such achievements could be credited to the "can-do" attitude on the part of all USSAH employees. The present austere organization was a result of cutbacks in both dollars and people."

*A finding essentially repeated
in each of the years reflected above.

ANNEX E

PLANT AND STAFFING PROBLEMS

Senator WEICKER. Can you briefly summarize and highlight the contents of this letter as it concerns your physical plant and staffing problems? And would you also identify immediate action you believe must be taken to alleviate any dangerous or life threatening conditions in the home?

General McKEE. First on the physical plant, Mr. Chairman.

We have some buildings which range in construction dates from 1854 to 1969. These buildings are old, and there is a great need to repair these facilities, to upgrade and to modernize them. My newest dormitory was completed in 1969.

All of these facilities for the past 10 years, in my opinion, have been somewhat neglected because the home went through an austere financial period. Starting about 1970 many actions were deferred that should have taken place in support of the maintenance and upkeep of those facilities as well as replacing equipment.

The reason for that was in 1970, the home noted that, unless we received an additional source of funding for the home, the trust fund would be depleted by 1989. So we went into an austere mode of operation, deferring maintenance actions, and repairs. We also started reducing our personnel at that time to provide the required support for the hospital and for the members out there.

We are now short about 131 spaces in the hospital area, and we have major maintenance requirements in the dormitories. For example, I'm experiencing problems with the elevators in the dormitory complex. We have two large dormitories which house about 800 people each. The five elevators in each of these dormitories have reached a point of deterioration where they are actually becoming unsafe for the members' use. We are experiencing delays; we are having people trapped on the elevators and problems of that nature.

As a result of these problems, the Corps of Engineers, was brought in to review the status of the facilities. They came in with a recommendation that we repair those as quickly as we can. This year we have $1.25 million in capital outlay in the 1984 budget request to repair the elevators. We will request $1.25 million more next year to finish the job.

The next major item that concerns me is an electrical transformer in the basement of the Scott dormitory, the main dormitory facility there. It houses our dining hall, the library, the theater, and community support facilities. The transformer contains PCB. Adjacent to this transformer is the air-circulation unit for that building.

I had one fire there in that transformer unit about 2 years ago. Fortunately, we had some maintenance people working down there and they caught it just as it started. If there is another fire there and it is not detected we could lose use of the entire building because of PCB contamination from that transformer. This needs to be corrected immediately.

This problem was just identified by the Corps of Engineers as part of their ongoing studies, for the past year, to give us a status report as to what we actually need to upgrade our facilities.

Senator WEICKER. I will have Dr. Bongard of my staff work with you and try to ascertain those items which are not covered by the amounts allowed you in the budget.

ADDITIONAL IMMEDIATE ITEMS

General McKEE. The most pressing thing that I have at this time, that we can do immediately, Mr. Chairman, is to give us the increase in personnel we are seeking for the health care facility. That's No. 1.

No. 2, we need the A&E money to start the building improvement program, to correct maintenance deficiencies, and to replace the older equipment we have out there.

Just as an example, I would like to show you a couple of photographs of what I am talking about, sir.

That's the switching unit in the transformer area that caught fire about 2 years ago.

Here is a hot water converter out of one of my dormitories, showing heating points that are corroded. We have to go in and replace those throughout the system.

This is what the Corps of Engineers has emphasized that we have to go in and replace.

This is the corner of my dining hall facility building for the health care facility. That type of structural damage is occuring, and we have got to repair that.

Sir, here is some of the equipment that we are still using out there. That piece of equipment is approximately 100 years old. We are actually using that today.

Senator WEICKER. What is it?

General SWINDELL. It's an exercise machine, sir.

Senator WEICKER. That's an exercise machine?

General McKEE. Yes, sir.

TRUST FUND, MEMBERSHIP AND LOCATION

We have $120 million in our trust fund that was established by the Congress 100 years ago on March 3, 1883. Prior to that time our money went into the U.S. Treasury. They collected it, but the Home couldn't get it back for its needs. So Congress established our trust fund so the Home could get the money that was being collected for its upkeep. One hundred years later we find that our dollars are captive once again because we can't get the money out of the trust fund to fully support our requirements.

Senator WEICKER. Steve will work with you. We will see what we can go ahead and do to help you at this end.

What is your population there?

General McKEE. As of yesterday morning we had 2,104 members out there.

Senator WEICKER. Where is this located?

General McKEE. Three miles north of the Capitol on North Capitol Street. It's located just west of the Catholic University area.

CONGRESSIONAL VISIT

Senator WEICKER. Unfortunately, I have got 40 hearings just in this subcommittee that attend to this budget. So we all have to keep our nose on that. But I will send Steve out there, and then when we get through the process, which will be some time in the next couple of months, some time during the summer months I will come out there myself to visit with you.

General McKEE. We appreciate that very much, Mr. Chairman. Any of the other committee members and the staff that would like to come, as well as the general public would be welcome. Come there and enrich your life with a little history.

Senator WEICKER. By taking a look at the exercise machine.

General McKEE. There is a lot of history out there.

Senator WEICKER. Maybe you could sell it to the Smithsonian or somebody.

General McKEE. A lot of people don't realize that President Lincoln used the Soldiers' home as his Camp David during the time he was in office. He spent three summers out there and lived in the first buildings that were built on that property by the Riggs family. The original property was acquired from the Riggs family, 100 acres plus that one cottage, and that is where President Lincoln came for three summers.

So there is a lot of history around that place.

Senator WEICKER. My feeling is that certainly those that you have under your care deserve the best that this country has to give, not the leftovers. Certainly under the circumstances that you describe where the trust fund is what is supposed to be paying for it and where there is health and safety involved, I see no excuse for pinching pennies in that regard.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I thank you very much. There will be other questions that will be submitted to you for response to the record by other members of the committee, Senator Proxmire and others. Otherwise I have no further questions. As I say, Steve Bongard will work out something with you on the amounts allocated to you. I will see you all sometime this summer.

General McKEE. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: Can you briefly describe the purpose of your trust fund, its structure and sources of income?

Answer: The USSAH Permanent Fund is for the exclusive support of the U. S. Soldiers' and Airmen's Home. The trust fund is on deposit with the U. S. Treasury, acting in a fiduciary capacity.

The income for the Home's trust fund is prescribed by law. It stems principally from Regular Army and Air Force soldiers and airmen, and from the USSAH membership, those who currently benefit from the care provided by the Home. Of the $47 million received in FY 82, almost 78 percent came from withheld pay and stoppages, fines, and forfeitures of active duty servicemen and women, and from the member fees collected by statute from persons residing at the Home. The remaining 22 percent of the income was interest earned on the fund balance.

Question: What interest rate are the trust funds assets currently drawing?

Answer: For the quarter that ended 31 December 1982, the annual interest rate was approximately 8.4 percent.

Question: What is the expected difference in actual dollars between income and outlay in FY 1983? Would you expect the same result in FY '84?

Answer: Income for FY 1983 and FY 1984 is expected to be approximately $47 million in each year.

In the event only $27 million is appropriated in FY 1983 and $31 million in FY 1984, the amount that income would exceed our budget request would be $20 million in FY 1983 and $16 million in FY 1984.

Question: It is my understanding that you are concerned with the lack of funds to rehabilitate an aging physical plant. Why haven't you asked Congress to appropriate the necessary funds?

Answer: The Home's annual budget requests are transmitted to the Congress through OMB. In 1981 the Home developed a restoration plan for necessary modernization and renovation over a 10-year period. The plan was approved by The Home's Board of Commissioners and the Secretaries of the Army and the Air Force. OMB officials have acknowledged our needs; however, for FY 1983 and FY 1984, the funds required to implement the restoration program have been denied. The Home's needs remain unmet, and can be expected to become more expensive to fulfill in the future.

Question: What services are provided by the Home to its members (include if you will recreational, developmental, medical and counselling services)? In your opinion, do these services approximate the services available in other retirement facilities across this country?

Answer: The Home's basic services for the membership include dormitory residence, subsistence, medical care, security, laundry and dry cleaning, shoe repair, productive therapeutic employment in Home jobs as needed, and occupational/recreational activities.

The Home has a library of over 50,000 volumes, and a variety of handicraft and hobby shops. Game rooms include cards, pool, chess and checkers. These activities are housed, staffed, equipped, and maintained at levels allowable within the Home's resource constraints. The Recreation staff conducts weekly sightseeing trips to nearby points of interest. Fishing trips and visits to various professional and collegiate athletic events are scheduled during the seasonal months. Both indoor and outdoor variety shows and band concerts from sources outside the Home are staged throughout the year. Motion pictures are shown in the Home's theater every other night. Members may obtain garden space and assistance in the planting of vegetable and flower gardens on the Home grounds.

A Personal Development Program offers the members an opportunity to enrich their lives through a diversified program of adult education. Home members' talents are identified and matched with others with similar interests. This program currently encompasses instruction and participation in such subjects as language, music, art, ceramics, lapidary, auto repair, photography, math, typing, and financial management. Counselling of members in the dormitory area is available from dormitory floor managers, management, personnel of the Home, and the Social Service staff.

The Home's health care facility provides long-term, primary health care to both in- and out-patients, including mental health, alcohol rehabilitation, and counselling.

The services provided to the Home membership are believed comparable in range and scope to those in some other retirement facilities. However, the adequacy of dormitory accommodations, the staffing of medical and other services, and the maintenance of structures and equipment are largely substandard due to financial constraints and restrictions upon the use of the Home's trust fund to correct deficiencies.

Question: How many members are currently residing at the Soldiers' and Airmen's Home?

Answer: As of 17 March 1983, Home membership was 2,104.

Question: What are the limiting factors in establishing the maximum number of members the Home could accommodate?

Answer: The primary limitation on the Home's capability to accommodate up to its full capacity is twofold. First is the existing dormitory capacity, affected by lack of access to the funds necessary to accomplish the Home's restoration program. The dormitories require renovation. The work will have to be done on a floor by floor basis, further limiting building occupancy. Secondly, the health care facility (HCF) cannot now adequately support the present membership level due to insufficient staff and building restoration needs. The Home's restoration program provides for renovation and expansion of the HCF to support the total Home membership adequately.

Question: How many members are currently in the Home's hospital?

Answer: As of 17 March 1983, 353 members were hospitalized in the health care facility, and an additional 23 members were receiving care in Walter Reed Army Medical Center or other hospitals.

Question: How many more members could the Home accommodate?

Answer: With the financing of our restoration program, the Home will be able to provide quality care for approximately 2,462 distinguished veterans, an increase of about 360 over the current number of beneficiaries being served.

Question: Are there accepted methods of calculating personnel requirements in a facility such as the Soldiers' and Airmen's Home and its hospital?

Answer: Within the Federal structure four basic methodologies are used to calculate medical manpower requirements. These are personnel to bed occupancy ratio, composite work unit (CWU) computation, manpower management engineering standards, and cost per patient day computation. A brief description of each method and its application to the United States Soldiers' and Airmen's Home (USSAH) follows:

Personnel to bed occupancy ratio: The Veterans Administration utilizes this method to calculate manpower requirements for medical treatment facilities, including their new Nursing Home Program. The ratio accepted for the VA is 1.9 personnel per bed occupied. When applied against the fiscal year 1980 Average Daily Patient Load (ADPL) of the USSAH Health Care Facility, the formula is 353 x 1.9 = 671 (670.7). Even this ratio is low when compared to national statistics. Social Security data for long term care facilities in 1970 showed a 2.92 ratio, with a projected increase of two percent per year. American Hospital Association statistics in the 1979 Guide showed a 3.3 ratio.

Composite Work Unit (CWU) computation: For two decades, the DOD medical services have submitted their operating budget for medical treatment facilities in terms of CWU's. Although more detailed, explicit methods are used to construct funding and manpower requirements, OMB requires that the budget submission be additionally expressed in terms of CWU's. The CWU is a weighted workload factor based upon the number of average daily admissions, ADPL, and average daily outpatient visits. For the past several years, OMB has validated and Congress has funded a manning posture for U. S. Air Force Medical facilities at 0.65 CWU's per day, per overall man-year. Physician manning has been at 10.4 CWU per MD day. In fiscal year 1980, the USSAH Health Care Facility workload equated to 469 daily CWU. This should represent 732 man-years, including 48 physicians.

Manpower management engineering standards: This is a sophisticated system in which representative workload data is calculated by work centers using specific formulae to determine manpower requirements. The U. S. Air Force has used this system for many years, and has indeed been complimented by both OMB and Congress for pioneering this concept. The application of fiscal year 1980 USSAH Health Care Facility workload data to applicable cost center formulae, combined with stringent and austere evaluation in those work centers not covered by standards, shows a manning requirement of 611 total. The only area showing an increased requirement not generated through these standards was in housekeeping, for which no Air Force standard exists. However, at the USSAH Health Care Facility this activity was subsequently contracted out, producing a lower total requirement of 556.

Cost per patient day computation: The DOD has been implementing a highly detailed and comprehensive medical accounting system entitled Uniform Chart of Accounts, in which the expenses of medical related care are broken down to their lowest, most detailed components. If this is recalculated to display cost per patient day, the daily DOD cost for fiscal year 1980 is $250-255. If the cost of those services not available at USSAH, e.g., OB-GYN, pediatrics, surgery, etc., are subtracted, the cost per patient day at USSAH to provide the level of care acceptable to DOD agencies is $120. Conversely, if the cost of the VA manning document for their Nursing Home Program, representing inpatient cost only, is converted to cost per patient day and added to our existing daily outpatient cost, the total is $123. Applying the standardized budget spread previously mentioned, this would earn 610-620 man-years to accommodate fiscal year 1980 workload adequately.

Question: What are your requirements, and have these been confirmed by an agency outside the Home?

Answer: The Home used manpower management engineering standards as the method of choice because it is cost center specific, conservative, reproducible with varying work load, and less influenced by subjective factors. The resulting total manpower requirement for the USSAH Health Care Facility, exclusive of the now-contracted housekeeping function, is 556 full-time equivalent (FTE) employment level. Our original study was done in February 1981, has been reviewed and updated periodically, and was validated as accurate by the Department of the Air Force's Medical Manpower Section in February 1983.

Question: What services would be added if adequate staffing were available?

Answer: At present, the minimum basic medical support and care are being provided. With proper staffing we would greatly expand the mental health programs, preventive health care, quality of life and remotivation training, rehabilitation, educational affiliations, and the current state of the art of geriatric care.

Question: What is the demand for hospital beds?

Answer: The Health Care Facility has been over 90 percent occupied for the past three years. There are approximately 300 permanently hospitalized members, or about 14 percent of the total Home membership. An additional 125-150 members currently living in the dormitories should receive some degree of daily medical support.

Applicants for USSAH admission who require immediate permanent hospitalization, and those requiring sophisticated intensive support, e.g., dialysis, cardiac monitorship, etc., cannot currently be accepted.

Question: Is the number of hospital beds a limiting factor to size of the Home's membership?

Answer: Yes. Roughly 17 percent of the Home membership is currently hospitalized, the great majority permanently. An additional seven percent should be receiving supportive medical care. The Facility is full, the staffing is inadequate, and the care is considerably less than optimal. For the age range of the membership served in this Home, approximately every fifth bed should be a medical care bed.

Question: To what size would the hospital be reduced to provide level of care with current staffing?

Answer: 295 patients.

Question: Is this feasible given current Home membership?

Answer: No. This would support a Home membership of only 1,475 -- including only 250 permanently hospitalized members.

Question: Could you identify each dormitory at the Home, its age, and number of members living there?

Answer: The Home has four major dormitory buildings. As of 17 March 1983, within Sherman Dormitory the 128-year-old Sherman South and 96-year-old Sherman North had 74 residents; the 72-year-old Grant Dormitory had 113 residents; the 28-year-old Scott Dormitory has 713 residents; and the Sheridan Dormitory, with a 20-year-old central core and 13-year-old wings, had 803 residents.

Question: Are these dormitories air conditioned?

Answer: Only about 22 percent of dormitory residential capacity is air conditioned. In addition to the remaining 78 percent requiring air conditioning, the main dining hall which serves approximately 3,600 meals a day lacks this basic comfort. Air conditioning for the dormitories and the health care facility, where roughly 70 percent of patient beds are without it, is included in the Home's restoration plan.

Question: The average cost of caring for those residing in the Soldiers' and Airmen's Home is projected to increase by 9.1 percent in 1984 yet the budget assumes an increase in the Consumer Price Index of only 4.4 percent next year. Why are your cost going up so much more than the cost of living?

Answer: The increase of $2.47 million in operation and maintenance costs in FY 1984 is not all inflation related. Price increases are expected to require $1.11 million. Currently, member employees of the Home are paid only 50 percent of what counterpart civil servants earn. To bring the member employee pay ratio up to a still modest but acceptable 70 percent level, $669 thousand was requested. The Home's FY 1983 work force pay raise and medicare costs are $826 thousand; however, the supplemental appropriation transmitted to the Congress was limited to $341 thousand. The $485 thousand shortfall can be partially offset by $120 thousand in FY 1984. In order to restore the Home to its current operating level, $365 thousand is requested.

In the health care facility higher skilled workers are required, particularly in nursing service and health technician fields. Positions need to be restructured in order to upgrade qualification requirements; however, training and testing for incumbents will be required before salary increases are allowed. To provide an adequate level of quality health care, $229 thousand is requested.

Annualization of the FY 1983 pay raises and medicare tax in FY 1984 requires $38 thousand, and the employee compensation refund to the Department of Labor in FY 1984 is to be $11 thousand more than it was in FY 1983. To purchase additional kilowatts of electricity, $40 thousand is requested. Printing expenses, in support of member care programs, are requested to be increased $2 thousand in FY 1984.

Question: What is the status of your permanent fund?

Answer: Congress restored fiscal viability to the USSAH Permanent Fund through the enactment of Public Law 96-357. Effective on 1 October 1981, the income from nonjudicial punishment fines imposed on soldiers and airmen was restored to the Home for deposit into the fund. With this additional income the Home should be solvent well into the twenty-first century.

Question: When will these funds be depleted?

Answer: The Permanent Fund is foreseen as having income sufficient to finance annual operation and maintenance expenses fully, as well as to support all costs of the Home's restoration program. Barring unanticipated, adverse changes in long-term inflation rates or statutory sources of income to the fund, its depletion is no longer considered a realistic probability.

Question: Do you have any other sources of income? If so, what are they?

Answer: The present statutory sources of income to the Permanent Fund are the Home's sole income. No legislation is being considered to obtain income from any other source.

Question: What is the status of your restoration plan? In your testimony last year, you advised that this would begin in fiscal year 1983, if possible.

Answer: The Home has recently initiated certain early projects and surveys in support of its restoration plan, using the limited funds made available for such purposes. However, the program needs additional money from the USSAH Permanent Fund to get under way. Over a three-year period, $2.9 million in operations and maintenance funds and $52.5 million in capital outlay funds are required beyond that which is presently before the Committee. This will provide for the additional 131 workyears essential to staff the health care facility fully. Included in the $52.5 million capital outlay is $3.3 million to obtain architectural and engineering plans and specifications for the Home's two principal dormitory buildings. Renovation of those buildings is expected to require the remaining $49.2 million in capital outlay funds.

RAILROAD RETIREMENT BOARD

STATEMENT OF ROBERT A. GIELOW, CHAIRMAN

ACCOMPANIED BY:
CHARLES J. CHAMBERLAIN, LABOR MEMBER
EARL OLIVER, MANAGEMENT MEMBER
JAMES T. BROWN, CHIEF EXECUTIVE OFFICER
JAMES L. HILL, DIRECTOR OF BUDGET AND FISCAL OPERATIONS
NORMAN SOLOMON, CHIEF ACTUARY
DALE G. ZIMMERMAN, GENERAL COUNSEL

PREPARED STATEMENTS

Senator WEICKER. Next we will hear the budget request for the Railroad Retirement Board by Chairman Robert Gielow, who is accompanied this morning by Board Members Charles Chamberlain and Earl Oliver.

Mr. Chairman, why don't you introduce your colleagues. All statements will be placed in the record. You may go ahead and proceed in any way you deem fit.

[The statements follow:]

STATEMENT OF ROBERT A. GIELOW

Mr. Chairman and members of the committee, before discussing the specifics of the 1984 budget request, I would like to furnish some general information regarding the Railroad Retirement Board.

PROGRAMS ADMINISTERED BY THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board administers social security equivalent benefits funded by social security, the rail industry pension financed by rail pension contributions, and windfall payments wholly subsidized by general revenues. The Board also: (1) administers a separately financed system for the payment of unemployment and sickness benefit to qualified railroad workers; (2) participates in the administration of the medicare program for persons covered by the Railroad Retirement Act; and (3) has certain responsibilities under Milwaukee Road and Regional Rail Reorganization Acts.

STRUCTURE OF THE BOARD

The Railroad Retirement Board is administered by a three-member Board appointed by the President, by and with the advice and consent of the Senate—one member from recommendations of representatives of employees, one from recommendation of representatives of employers, and one public member, the Chairman, without designated recommendation. The terms of office are 5 years and are arranged so as to expire in different calendar years. I have been confirmed as Chairman for a term beginning August 29, 1982. The present management member was first appointed August 5, 1977 and was reappointed on October 20, 1978, for a term beginning August 29, 1978. The present labor member was appointed on October 10, 1977, and was reappointed on July 27, 1979, for a term beginning August 29, 1979. We are here to present the 1984 budget request for the Railroad Retirement Board.

The 1984 request includes appropriation requests for the following items: $350 million for the Federal windfall subsidy appropriated to the vested dual benefits payments account; $15,778,000 for the limitation on railroad unemployment insurance administration fund, of which not to exceed $6,355,000 may be transferred from the railroad unemployment insurance trust fund to the limitation on railroad unemployment insurance administration fund; and $55,969,000 in the limitation on administration for the railroad retirement program.

There is no request for administrative funds for the Milwaukee Railroad Restructuring Act program, as a balance of previously appropriated funds will finance activities in 1984.

STATEMENT OF C. J. CHAMBERLAIN

Mr. Chairman and members of the committee, as labor member of the Railroad Retirement Board, I would like to make a few personal observations regarding our agency's budget submission for fiscal year 1984. This year we are able to present a budget package which will, for the most part, adequately provide the resources necessary to carry out the Board's mission. We no longer find ourselves under the shadow of an ill-advised proposal to abolish our retirement system which has well served the railroad community for almost 50 years. Also, thanks to the Appropriations Committee's efforts last year, we no longer face a drastic reduction in our personnel ceiling which would have adversely affected the ability of our agency to function properly. The limitation on administration of our programs presented in the budget represents a fair evaluation of our agency's need at this time. Like most other entitlement programs our concern, at the present, is for the financial health of our system. Every dollar spent on administration means one less dollar we have in our reserves to pay benefits. We must face the realities of the times where belt tightening is a must and sacrifices are called for. During the coming year, we will continue to evaluate our personnel needs and the administrative structure of the Board to insure that our resources are utilized as efficiently as possible. In this way, we hope to continue our record of low administrative costs during a critical period in the agency's financial history.

This does not mean that our agency is not actively seeking ways to improve service to our constituents, nor is there a diminished interest at the Board for addressing the concerns of Congress and the administration. We hope that through the results of various contractual studies now underway, improvement in our operating efficiency will be realized along with long-term gains to the trust fund particularly in the area of payment accuracy. We will continue to do all that we possibly can with the resources we have available to prevent waste, abuse and fraud, improve our record with regards to debt collection, and strengthen internal audits and investigation.

I must take strong exception, however, to the limitation placed in our budget submission for the vested dual benefit payment account. The approved level of $350 million is some $70 million less than is needed to pay these vested benefits to these 368,000 entitled recipients. The amount appropriated would result in cutback of these benefits by 18 percent this coming October. In 1981 representatives of railroad labor and management gave their support to legislation which reduced the levels of these dual benefits to employees who would retire in the future and eliminated them entirely for spouses and widows who had not already been awarded such benefits. In addition, in order to protect the railroad retirement system from costs otherwise resulting from inadequate appropriations, the law was amended to provide that the vested dual benefits actually paid in a particular year could not exceed the financing appropriations provided for that year. Previous general revenue appropriations shortfalls were made up with funds from the railroad retirement account. To date this has cost our system in excess of $1.7 billion.

Despite these cost saving measures, the 1984 budget proposes that the dual benefit appropriation should be limited to $350 million. That, of course, is not the Board's view. As the Member of the Board who serves as the representative of railroad labor, I can state unequivocally that labor, along with management, acted responsibly to insure the continued soundness of the railroad retirement system by insulating it from costs which legislation enacted over 7 years ago contemplated should not be borne by the system. Railroad labor representatives certainly intend to continue to urge that full appropriations be provided so that the benefits of those already on the roles need not be reduced.

These benefits are earned rights from a working career; simply because their source is now general revenues is no reason to cut them back by 18 percent. The clear intent of the Congress, as expressed in section 15(d) of the Railroad Retirement Act of 1974, was to provide the full cost of phasing out these benefits. The Congress specifically amended the fiscal year 1983 budget resolution to provide full funding for these benefits, and has appropriated funds to pay full benefits. In its report on the 1983 appropriation bill, the Appropriations Committee stated, "These retirees clearly believe that they are entitled to the full benefit amount, and the committee agrees."

Mr. Chairman, as you well know, our railroad retirement system is experiencing, along with social security and other pension systems, serious financial problems. Labor and management representatives are fully aware of our funding problems and have been working diligently in a cooperative effort to solve our problem and insure the financial solvency of our system. I am pleased to report that because of those efforts, a most responsible package has been agreed to between the parties, the provisions of which are encompassed in H.R. 1646, now before the House Ways and Means Committee. We are hopeful that they will be acted upon and approved by the Congress in a most expeditious manner.

We believe that our new joint package will place our system in balance and insure the current and future solvency of our system.

We appreciate this committee's concern and support in the past and we respectfully request your continued support as we, labor, management, and the Congress, join together to protect current and future vested benefits of railroad retirement beneficiaries who depend on our system for their livelihood.

STATEMENT OF EARL OLIVER

Last September 14, my two colleagues and I asked Mr. Stockman to budget for FY 1984 $420 million from general funds for payment of the social security dual benefit and $81 million from the railroad retirement and unemployment trust funds for administration of the Railroad Retirement and Railroad Unemployment Insurance Acts. The $81 million requested from the trust funds included $49 million for salaries and benefits for 1,783 employees and roughly $1.2 million for their business travel.

Instead, OMB budgeted $350 million from general funds for social security dual benefits and $72 million from the railroad trust funds for administration of the two acts. The $72 million includes roughly $44 million for salaries and benefits for 1,528 employees and $890 thousand for their business travel. Instead of its last year's proposal to defederalize the railroad retirement system, OMB proposes to appropriate $125 thousand from trust fund monies for a year-long study of the system by outside experts.

I shall address dual benefits, the proposed study, and administrative expenses and personnel ceiling.

1. Social Security Dual Benefits. Section 15(d) of the Railroad Retirement Act as amended in 1974 provided, "There is hereby authorized to be appropriated to the Railroad Retirement Account for each fiscal year . . . such sums as the Board determines to be necessary" to pay the social security dual benefits. It required the Board at stated intervals to "re-evaluate the amount determined . . . for the purpose of determining the amounts to be appropriated."

In budgeting for the cost of the social security dual benefit, OMB consistently disregarded the Board's determination of the amounts necessary to be appropriated and requested smaller amounts. The Board was required to [illegible] OMB's budget request rather than its own request. In consequence, the Congress did not, as it intended, appropriate "such sums as the Board determines to be necessary" but instead appropriated those sums that OMB permitted to go in the budget.

By disregarding the will of the Congress, OMB has cost the railroad retirement fund $1.65 billion. OMB's action is a major reason the railroad retirement fund faces a shortage of money to pay benefits in 1984.

In 1981, the Congress eliminated the drain on the fund for the future by setting up a separate dual benefits payment account and providing that the Board should limit dual benefit payments to the amounts appropriated. Beginning with payments for August, 1982, the Congress has appropriated enough money to pay dual benefits in full.

The Board notified OMB an appropriation of $420 million is needed for FY 1984 to continue to pay the social security dual benefits in full. As it did for 1983, OMB budgeted for 1984 $350 million. To fulfill its intention to pay the social security dual benefit in full, the Congress will need to appropriate $420 million.

The dual benefit is a social security benefit. The Comptroller General has described it as an "entitlement" (letter to Senator Sasser appearing in the Congressional Record of March 11, 1982, p. S. 1967). A short account of the social security dual benefit and the Congress' action in 1974 regarding it follows.

Over the objection of railroad management and labor, the Congress in the early fifties made it possible for a railroad employee with certain social security credits to collect both railroad retirement and social security ("dual") benefits. By so doing and by reason of the weighting social security gave to short service, the Congress enabled a non-career railroad employee to collect greater total benefits (a "windfall") than a career railroad employee. The railroad retirement fund was required to pay the social security windfall portion of the dual benefit even though the work on which it was based was social security-covered work and the payroll taxes on that work went to social security. By 1974, the cumulative cost to the railroad retirement fund of the social security windfall totalled more than $4 billion.

The 1974 bill called (1) for halting social security windfall benefits except to persons already getting them and persons with a "vested right" to them and (2) for payment to such persons of the social security windfall from social security funds rather than from railroad retirement funds. In view of the condition of the social security fund, Chairman Mills of Ways and Means would not agree to the second point and joined Chairman Staggers of Interstate and Foreign Commerce in asking instead that the cost be paid from general funds.

There was general agreement in the Congress that persons receiving the social security windfall or those considered vested should not lose the windfall benefit but it should otherwise be discontinued. There was general agreement also that the railroad industry was not responsible for the social security windfall and should no longer bear the cost. Finally, there was general agreement that OMB was grossly in error in arguing that relieving the railroad industry of the cost of the social security windfall constituted a subsidy to the railroad retirement fund.

The vote in the House was 343 to 10 in favor of the 1974 Amendment. The vote in the Senate was 86 to 1. On advice of OMB, President Ford vetoed the bill. The Congress overrode his veto. The vote in the Senate was 72 to 1; in the House, 360 to 12.

Beginning with payments for August, 1982, the Congress appropriated enough money to pay the social security dual benefit entitlement in full through FY 1983. OMB has proposed that, for FY 1984, the appropriation be $70 million less than will be required to pay the entitlement. If the Congress intends the social security entitlement to be paid in full in FY 1984 (as in FY 1983), it will be necessary for the Congress to appropriate $420 million.

2. Proposed Study. In its pass-back to the agency, OMB said it would not include in the 1984 budget, as it did for 1983, a proposal to defederalize railroad retirement. Instead, it directed us to include in the budget request $125,000 for a year-long study in FY 1984 of the railroad retirement system. Those making the study, according to OMB, are to be predominantly outside experts railroad management and labor suggest and the Board appoints.

The idea of such a study seems sound. There is warrant for the parties' taking a fresh, comprehensive, objective look at their system. My chief reservation is that the amount proposed for the study appears small to support a really comprehensive year-long study by well-qualified people.

The budget documents do not mention the proposed study or even earmark the $125,000. However, our budget director tells me the budget figures do include $125,000 for the study.

3. Administration of the Railroad Retirement Act and the Railroad Unemployment Insurance Act. The costs of administering the two acts are paid from trust funds financed by payroll taxes of employers and/or employees.

FY 1983. For FY 1983, the Board requested appropriation from the railroad trust funds of $74.1 million for administration, including a substantial increase from the 1982 employment level and $1¼ million for business travel. OMB proposed to reduce appropriation from the trust funds for administration to $62.7 million, reduce the agency's personnel ceiling to 1,433 employees from the 1,578 authorized for 1982, and cut us to $660 thousand for business travel. The Congress disapproved the reductions in travel and personnel, provided us $950 thousand for business travel, and directed that the 1983 employment ceiling be no lower than the 1,578 employees authorized for 1982. In recommending this action to the House of Representatives, the House Appropriations Committee said,

> "The Committee simply does not agree with the Administration's continued efforts to reduce the staffing levels and travel funds of the Board. The Board's staff has been substantially reduced over the past several years to the point where the work may not get done."

In his comments on the House floor, the Chairman of the subcommittee said, "The committee does not want to see the Board's staff diminished any further." The appropriation approved by both the Senate and the House provided for not less than 1,578 full-time-equivalent employees.

FY 1984. In our letter of September 14, 1982, to OMB Director Stockman transmitting our budget request for 1984, my two colleagues and I asked for 1,783 full-time-equivalent employees for FY 1984. We said,

> "The Board's request for 1783 FTE's in F.Y. 1984 is considerably less than the numbers requested in past years — 2,085 for F.Y. 1980, 2,150 for F.Y. 1981, and 2,138 for F.Y. 1982. The 1783 FTE's requested represent a compromise between the level the Board considers it needs to perform well the functions required by laws it administers, and the level of 1578 FTE's the agency was allowed for F.Y. 1982. At that level, we have seen a gradual deterioration of service, a gradual increase in backlogs, and a waste of trust funds for lack of good quality assurance.
>
> "The 19% reduction in full-time permanent staff during the past six years has reduced the Board's ability to conduct disability reviews, monitor student benefits and continuing eligibility of other beneficiaries, assure that deaths are reported, interview unemployment insurance claimants, investigate questionable unemployment insurance claims, verify illnesses under the sickness insurance program, help unemployed railroaders find work, prevent misuse of funds by representative payees, perform internal audits to detect and prevent waste and fraud, inspect field offices, train claims takers, educate railroad and union officers in their responsibilities under our programs, provide itinerant service to beneficiaries and applicants on a timely basis, and furnish pre-retirement counseling to railroad employees."

As to business travel, we said,

> "Travel funds of $1,173,000 are being requested for F.Y. 1984. Even with that number of dollars, the actual travel that could be performed would not be significantly more than the travel performed in some of the recent years, considering the erosion of travel dollars by inflation. Any decrease in the number of dollars available to us would diminish further the ability of the agency, and particularly its field service, to perform many of the quality assurance efforts listed above that already have been impacted by staff reductions."

Our request for 1,783 FTE employees and $1.2 million for travel represents a compromise between, as we said, what we really need to do the job and present levels. Our requests for 1981 and 1982 for something over 2,100 FTE employees and for more funds for business travel reflect our real needs. We need substantially more resources than we have now to provide to our 1½ million beneficiaries, present and prospective—your constituents—the service they deserve and need, and to curtail fraud, abuse, error, and waste. We need more resources to do our job efficiently and effectively.

a. Service. Despite its comparatively low levels of employees per numbers of beneficiaries served, the Railroad Retirement Board has until recent years had an excellent reputation for service to its public. Even today, with drastic cutbacks in personnel and increased workloads, we have not lost that reputation completely. Last month, for example, a Boston and Maine officer sent me a copy of a letter he had written the person who, until his resignation in January, was manager of our Boston field office. The railroad officer, expressing regret over our manager's leaving, said,

> "One of the most important differences I find between the Railroad Retirement and Social Security Systems is the patient, personal service railroad employees receive when they visit the Board's offices. I believe the motivation for Board employees to treat railroaders as individuals who need professional advice, rather than as just a number, comes from the top and your influence in the Boston office has been significant. I have received many complimentary comments from retirees and widows who came to your office for assistance and received unhurried support and understanding advice about their benefits from you and your staff. You can be proud of the legacy you left behind."

Our manager decided to leave us, he said, because there appears no end to our workload/staffing problems and because, by reason of high workload and low staffing, unemployment insurance adjudication has deteriorated to merely putting through claims for payment.

We have had in the last two years unprecedented numbers of resignations and retirements. Many who departed said their motives for leaving are in part the pressures caused by personnel cuts and loss of job satisfaction because they no longer can provide our clients good service. Our regional director at Kansas City, for example, said in submitting his notice of retirement in January,

> "Service to the public has been severely affected [by personnel reductions]. Employee morale is at an all time low. . . . Management understandably is somewhat ineffectual and planning becomes an exercise in futility. . . .
>
> "I have enjoyed my years of service with the Board. One does not often have the opportunity to serve and help so many receive what they are entitled to under the programs we administer. . . . However, when an employee, for whatever reason, determines that it is next to impossible to provide quality service to our clientele, it is time to make a decision. Accordingly, I have decided to retire."

That director's predecessor wrote a similar letter only two years earlier. " . . . the present restraints" on "human and monetary resources . . . make management ineffective." "Service to the public . . . has been adversely affected." "The travel budget is unrealistic. Service is being seriously curtailed." "I do not feel that the best interests of the railroad industry, including management, labor (employees), their families, and the general public, are being properly served with the reduction in human and monetary resources." "For the reasons stated, I have decided . . . to terminate my service."

A claims examiner at St. Louis told his exit interviewer that his only reason for quitting was that "the tremendous pressure placed on an unemployment claims examiner in the field service was too much for him."

People leaving us say much the same things over and over again: with unwarranted personnel cuts, job pressures increase, job satisfaction lessens, service to the public and quality control deteriorate.

Quality of service. One measure of our service to the public is how well or how poorly we respond to inquiries. Inquiries come in various ways--person-to-person contacts, telephone calls, and letters--and from many sources--the beneficiary (actual or prospective), his family, his employer, his union representative, his attorney, his congressman or senator.

Over the years, RRB was known for good service, but there has been a marked decline in our service the past few years. Staff reductions have taxed our ability to process awards and pay claims timely and to answer inquiries timely. When our performance slips in one area, the results are often increased inquiries in that or other areas. Answering inquiries causes delays elsewhere and produces still more inquiries. The staff level proposed by OMB will hasten this downward spiral.

As we lose personnel, the time it takes to make a retirement award increases. Five years ago we made a final retirement award within 90 days of application two-thirds of the time. Today the figures are almost the reverse: almost two-thirds of the time we take more than 90 days. Here are the comparisons:

	1978	1982
Under 30 days	6 per cent	1 per cent
Under 60 days	38	17
Under 90 days	67	37
Over 90 days	33	63

Recently, a railroad asked my help in getting a final award made to an employee who retired last August 2. He had been receiving a partial payment of his annuity but not his full award. The problem, as our people described it, is that material facts were missing from the beneficiary's computer file and, when the computer reviewed it periodically, rejected it for final payment. Human intervention was necessary; but, with decreases in staff, we lack humans to intervene. We have now intervened and hope to make back payments this month. This is not the kind of service the agency should provide its clients and your constituents. The system owes the beneficiary the money, and he should not have to wait six months to get it.

Recently, a would-be beneficiary, whom I don't know, sent me a letter at my home. He said he applied May 1 of last year for railroad retirement benefits and the only response he has had from us is a form letter in December saying, "Our headquarters office has advised me that due to the complexity of your claim for monthly railroad retirement benefits, your claim will be delayed." The applicant's comment was moderate: he said only that our handling is "very discouraging." It is. And it is very discouraging to everyone in our agency to be so starved for resources that an applicant must write his Congressman or a board member at his home to get action.

A section head told me recently she is so busy putting out fires she can't do her work with any degree of efficiency. The same is true in the field.

Our Fresno branch office consists of one field officer who also serves Bakersfield. When I visited her, she had on hand two weeks' mail that she could not catch up on even though she worked late, and she had 21 calls on her telephone answering machine, which takes calls while she is out of the office or interviewing callers in the office. During my three hours with her, she took four applications, responded to one of the 21 calls on the machine, answered eight telephone calls, and let ten calls go unanswered. On her last trip to Bakersfield, she served 34 persons, including four applicants, the first day, 35 including three the second, and 24 including 13 the third.

Rock Island is a one-employee branch office that I visited some months ago. When I arrived at 8, our field officer already was taking retirement applications from a husband and wife and had two other persons waiting. He had a steady stream of people until shortly after noon, which was our first opportunity to visit. He had disconnected the telephone to avoid interruptions while serving clients in the office. I connected it to make a call and forgot to disconnect it; he received two telephone calls in quick succession, interrupting the taking of an application, before he again disconnected the instrument.

On a recent visit to our Oklahoma City office, I found only one employee present; the manager was on itinerant service, another employee was on leave, and the fourth person in the office had resigned. The one person there was trying to cope--not too successfully--with clients in the office and with the telephones. She obviously had no time to talk business with me; she pressed me into service to open and date-stamp two days' accumulation of mail, sort unemployment claims, and answer such telephone calls as I could.

An Oakland field officer periodically visits San Jose--"itinerant service"--to serve concentrations of clients there and enable them to avoid trips to Oakland. On one trip I went with him. He worked through the lunch hour until he had seen all customers who were waiting, ate a quick brown-bag lunch, and returned to spend the afternoon with a fresh stream of clients. The clients, elderly, were inclined to talk about their jobs, their plans for retirement, etc., and I fell into the trap of responding until I realized I was keeping our representative from the business at hand and would prevent his serving all his clients. Our representatives are very polite but have learned it is a disservice to waiting clients if they engage in other than necessary conversation with those being served. Accordingly, each adopts devices for steering conversations back to business. It is regrettable that our field officers can't take the time to chat with our clients about what has to be one of the most important events in any person's life--his or her retirement--; but even before OMB started cutting our staff we did not have the people to listen or to counsel: we had to confine ourselves to giving and receiving information on the business at hand.

Because, however, of cuts in our forces, we no longer are giving our clients even reasonably good service, we are wearing out our work force, and we are letting errors slip through that we should be catching.

Representative payees. We have some 14 thousand representative payees. A representative payee is one who receives the monthly retirement payment on behalf of a beneficiary not competent to handle the money.

Because the opportunities for misuse of the beneficiaries' monies are great, we used to conduct a triennial review to assure that representative payees do, in fact, use the money for the beneficiary's needs. Today, we review a representative payee case only if we have received some indication--as from a third party--that the representative payee is not performing his fiduciary duties.

For the benefit of these 14 thousand persons, we ought to resume the periodic review. However, the review entails thousands of individual investigations by our field staff, and we no longer have the staff to do that work.

Travel. Many of those we serve live in remote areas and depend on traveling representatives of the agency for services they need. Despite constantly rising costs of transportation, meals, and lodging, OMB proposes to cut our travel funds from the modest $1,173,000 we requested to $900,000—less than the $950,000 the Congress appropriated for FY 1983.

* * *

It is regrettable to see our customers ill-served when it costs little more to serve them well. The difference between the personnel levels and travel funds my colleagues and I told OMB we need for 1984 and the personnel levels and travel funds OMB proposes you appropriate is only .8 of one mill per benefit dollar—$.0008. To put it another way, the difference between us is about 80 thousandths of 1 per cent of benefits. That eight-tenths of one-tenth of 1 per cent means the difference between giving our 1½ million clients—your constituents—good service and giving them poor service. It means the difference between our safeguarding the $6 billion in our care against fraud, abuse, waste, and error and leaving the floodgates open to all manner of misuse and abuse.

b. Program integrity. We have approximately one million retirement beneficiaries and, in the course of the last fiscal year, had 165 thousand unemployment beneficiaries and 70 thousand sickness insurance beneficiaries. We issued in FY 1982 some 15 million benefit checks. The calculations for retirement benefits are exceedingly complex, and the claims for unemployment and sickness insurance require—or should require—a great deal of investigation for eligibility.

Even under optimum conditions, we are bound to make many mistakes. Under less-than-optimum conditions—and we are now operating under far less than optimum conditions—mistakes multiply. When the beneficiary is overpaid or paid in error, the taxpayer suffers. When the beneficiary is underpaid, the beneficiary suffers. Currently, we are making dozens of thousands of errors, many of which we catch but most of which we don't. Those we don't catch, lacking resources to find them, are costly. Even those we catch are costly because we lack resources in many instances to correct them.

In resigning in January our district manager in Boston said one of the frustrations causing him to leave us is inability properly to adjudicate unemployment claims—having to send them in for payment without proper investigation as to merit. Another outstanding manager, who is considering leaving, says many offices no longer deny claims because denials require investigation, documentation, and correspondence--time, which they no longer have. They are reduced to receiving and coding the claims and passing them on for payment.

Here are a few of the other areas where we are squandering trust fund dollars for lack of administrative pennies.

Disability awards. We are paying almost $½ billion a year in benefits to persons found either occupationally or totally and permanently disabled. To make decisions on disability applications, we have twelve disability examiners. We make some 7 thousand disability awards a year. This means that each examiner each working day awards what are generally lifetime benefits--thousands, even hundreds of thousands, of dollars--to two to three persons. This does not include the cases in which he or she denies benefits, nor does it include time spent on requests for reconsideration of initial decisions. Additionally, decisions made by one examiner are reviewed by another, and, if the judgments differ, they must be reconciled.

The examiner must gather together the medical and vocational evidence, discuss the vocational evidence, if necessary, with persons knowledgeable about the individual occupations, discuss the medical evidence, if necessary, with our physician consultants, make a judgment, and, if he/she has time, provide a rationale. In too many cases he/she does not have time to get good information on the claimant's occupation, to assemble all of the medical evidence he/she should have, and to provide a written rationale for the decision to award or deny.

The Manpower and Housing Subcommittee of the House Committee on Government Operations became concerned fourteen months ago about both our disability procedures and the quality of our disability decisions and asked both the Board and the General Accounting Office to make audits.

Auditors from our Bureau of Audit and Investigation selected at random 100 disability decisions and reviewed them with the assistance of a medical consultant of their own choosing. They reported that, of the 100 cases reviewed, the decisions in 27 were questionable. In most instances, the 27 decisions were not necessarily incorrect; they simply were not supported by the evidence. In order to keep up with the pace of applications, the examiners were not making the thorough investigations and analyses that should be made.

The audit disclosed:

- that we award disability annuities to almost nine out of every ten persons who claim disability;
- that more than two-thirds of our disability awards are occupational, less than one-third T&P (total and permanent);
- that "the Board does not develop adequate information on each applicant's regular railroad occupation, which is needed for processing occupational disability cases";
- that, as a result of reduced personnel ceilings, we "may have reduced the role of doctors in disability determinations too much and should take action to increase the doctors' involvement";
- that "the disability claims examiners do not adequately document the basis for their decisions"; and
- that the Board "lacks a re-examination program" for monitoring the continuing disability status of the annuitants who have been awarded benefits."

The auditors concluded that "Inappropriate benefit payments . . . simply act as a drain on the trust fund."

The report of the GAO audit is not yet available to the Board, but the associate director of GAO's Human Resources Division testified at the subcommittee's hearing June 21, 1982. He noted, among other things,

- that "The Board approves a significantly higher percentage of permanent and total disability claims than does Social Security";
- that less than half of the 96 T&P awards GAO reviewed were "acceptable determinations": of the unacceptable determinations, two-thirds were unacceptable because of insufficient evidence, one-third, according to GAO, because the applicants were "not disabled";
- that "lack of follow-up leaves the Board vulnerable to paying beneficiaries who are no longer disabled": that "eight of the 96 cases reviewed should have been scheduled for reexamination by the Board, but were not"; and
- that "The Board does not have a formal quality control system for its disability cases."

Projecting from his sample, the associate director said,

> "At a 95-percent confidence level, the total questionable determinations range from 1,371 to 2,093 awards and the related benefits range from $841,341 to $1,257,321 monthly and from $10,096,092 to $15,087,852 for the year."

These figures are only for T&P awards: they do not include occupational, the larger number of awards made.

I do not report these audits to criticize our disability examiners: on the contrary, I think they do a remarkable job given that they are spread so thin. The point I make is the point I made at the House subcommittee hearing last June 21--that, considering the 7 thousand and more decisions they must make, the number of disability examiners to make them "is, in my opinion, not nearly enough--that is, if the decisions are to be sound decisions made on sufficient evidence and with a minimum of error."

We pay out some $½ billion a year in disability benefits. We need resources to assure we pay it properly.

Disability Reviews. The Congress criticized Social Security for paying disability benefits in the millions to persons not really disabled or once disabled but recovered. In 1980, the Congress required Social Security to tighten its procedures by requiring periodic review of cases holding some hope of recovery. Unfortunately, Social Security overreacted, taking away benefits from and causing hardship in many instances to persons truly disabled. In one of its final acts prior to adjournment, the last Congress acted to correct the overreaction.

We don't want to follow Social Security's lead of taking away benefits that should be paid, but, neither do we want to pay disability benefits when the beneficiary is no longer disabled or was awarded disability benefits in error.

We badly need to establish a disability review program at RRB. Our goal should be to establish a humane program that protects the trust fund but at the same time the rights and dignity of the beneficiaries. To make sound disability decisions in the first place and establish such a review program as the Congress required of Social Security in 1980 and 1982, we must increase our staff markedly.

Payments to dead people. Last month, the press reported Social Security's paying retirement benefits to dead people. The Associated Press said a preliminary check had uncovered 1,411 cases in which Social Security had paid more than $6 million to dead beneficiaries.

> "That may be just the tip of the iceberg, according to Social Security Commissioner John Svahn, who suspects that the agency may have paid a total of $100 million to the deceased. . . .
>
> "Of the 1,411 cases, he said, 'We've got a tentative number of 500 where the checks have been cashed, probably by relatives, after the person died.'"

We, too, have this problem and are trying to do something about it. Despite OMB's cutting our resources, we have been able to start up a computer program to match our payments against the Health Care Financing Administration death records. So far, we have found 263 deaths unreported to us and stopped further payments. The 263 cases represent $1½ million in payments that should not have been made. So far, we have recovered $½ million. We found 14 cases in which the payment to a dead beneficiary exceeded $23 thousand and 25 cases in which the payment was between $10 thousand and $23 thousand. In four cases, in which the payments totaled $171 thousand, the statute of limitations bars recovery of a considerable portion of the payments.

We have found fertile ground in the computer match but need additional staff to harvest the monies to be harvested by recoupment on the one hand and prevention on the other. The matching operations require field investigations to confirm death, to determine exact date of death, and to investigate the possibility of fraud, and we must have staff to collect the overpayments, turning paper assets into trust fund dollars.

To do what we have done, we have had to divert staff from other monitoring. Even so, lack of travel funds and press of other work delay our investigations and inhibit collection efforts.

Monitoring Earnings. An area in which we are remiss is the monitoring of beneficiary earnings to assure that we are not paying benefits to which, by reason of earnings during retirement, the individual is not entitled. We rely on beneficiary reports and computer matching programs.

Our computer programs are antiquated and badly need rewriting. Since this is not a program for making payments but one for detecting overpayments, we give it a lower priority than we give making payments. As a result, we are still working on the reports of 1976 earnings. Additional staff would allow us to detect and recover overpayments more timely.

Report of Earnings. From time to time, we send to beneficiaries with their checks reminders of the requirement to report earnings. The check stuffers necessarily are general. We had greater success in preventing large overpayments when we were able to tailor the notices to the individual—send him an individual letter setting forth the details of his case and the requirements of the law as they apply to him personally. We discontinued the individual letters because we lacked adequate staff for preliminary analysis, systems design, and the handling of inquiries.

Unnegotiated checks. Lack of staff and travel money hampers recoupment for the Railroad Retirement fund of unnegotiated checks. (Much attention has been paid recently to Social Security's unnegotiated checks.) We have had at RRB since 1965 a program for recovering outstanding checks. Here, again, however, we are behind because of lack of resources: we are only now reviewing 1978 payments. A preliminary estimate based on a study now being made is that we could recover $2.4 million for the years 1979, 1980, and 1981 if we had the staff to do it.

Benefit accuracy. We spent $1 million to have an outside firm make a benefit accuracy study and recommendations. The report points to a number of areas to which we can productively devote resources to prevent error. Unfortunately, we don't have the staff to do what the report recommends.

Review for Error. Each year, we review and adjust the benefits of our one million retirement beneficiaries to pay a cost-of-living increase. We target certain categories of computations for review because experience has shown that these are the most likely to have substantial error—overpayments or underpayments. To date we have a backlog of some 70 thousand cases pending review. The working off of this backlog carries a very low priority. In fact, because of insufficient staff to handle the backlog, we have adopted a policy of not reviewing suspected overpayments or underpayments if the beneficiary has died.

Overpayments. Last year, OMB criticized the Railroad Retirement Board because we have not detected and corrected the dollar volume of overpayments OMB believes we should have. OMB is right to this extent: we are not detecting and correcting the overpayments we should. To do what we should requires more staff.

Unemployment insurance errors. Our Albany district office made special arrangements with a small railroad it serves to obtain the railroad's payroll records for a six-month period. That office compared 115 claims with the payroll records, found 41 of the claims were for days the claimants had worked on the railroad, and as a result denied 154 days of unemployment insurance representing

$3,850. This was a limited effort in one office. The result, however, suggests what that office and the 90-odd other district offices could accomplish if they had the people-power to investigate claims rather than simply send through for payment.

Five years ago we developed a computer match of unemployment and sickness insurance payments with railroad employee service and compensation records that the railroads provide us for other purposes. The match for 1977 disclosed discrepancies for 19,205 individual claimants. Of the 19,205, 14,400 were individuals who claimed to be fully unemployed in months that the wage records showed compensation.

We selected at random 347 of the 14,400 for further investigation but actually investigated only 273. Of the 273, we were able to get additional information about 246. In 57 of the 246 cases, we established overpayments totaling $11,500--$200 per claimant. Unfortunately, we did not have the manpower to make a similar check of the remaining 97½ per cent of the discrepancies. Had we been able to do that, a projection of what was accomplished in the 2½ per cent sample suggests we would have found overpayments from this single computer match amounting to $380 thousand.

We made a similar match in 1979 of 1978 claims and found over 20 thousand discrepancies, but did nothing with them because we did not have the manpower.

This was a computer match with only our own wage records. It was effective only if the individual worked for a railroad while claiming unemployment benefits. It would be of no help in determining erroneous payments of unemployment benefits by reason of claimants working for a non-railroad employer. It would be most desirable to have the capacity to make computer matches with state wage records, state unemployment insurance records, etc. Experience suggests that such computer matches would uncover many more erroneous payments than would computer matches with railroad wage records.

The General Accounting Office suggested also checks on changes of address and computer matches to find multiple beneficiaries residing at the same address, in both instances to ferret out and discourage fraud by agency employees as well as others.

Such computer matches and checks would do much to prevent and detect fraud, abuse, error, and waste. They would require a great many more people than we have been authorized.

UI Recoverables. An indicator of whether or not we are catching unemployment insurance overpayments is the ratio of overpayments to "recoverables"—payments found that should not have been made. In 1979, when UI payments were the lowest—$39 million—in the past five years, we found $2.3 million in recoverables—6 per cent. In 1982, when UI payments were highest—$186 million—recoverables were lowest—$1.8 million, less than 1 per cent. We had more staff in 1979 than in 1982; and, by reason of low claim activity, we could spend more of the time of that larger staff looking for overpayments and less time paying.

If 1979 experience is an indicator of 1982 potential, our 1982 recoverables last year should have been $10 million-plus, or $8 to $9 million more than the $1.8 million we found.

* * *

Railroad retirement's administrative resources pale by comparison with those of social security. On the other hand, the complexities of railroad retirement require more worker input than does social security.

Comparisons for FY 1982 follow:

- Cost for administration per $100 of benefits: social security $1.56, railroad retirement $.71
- Ratio of administrative cost per $100 of benefits, social security versus railroad retirement: 2.2 to 1
- Administrative costs per year per beneficiary: social security $65.35, railroad retirement $41.07
- Ratio of administrative costs per beneficiary, social security versus railroad retirement: 1.59 to 1
- Ratio of agency employees to beneficiaries: social security 1 to 658, railroad retirement 1 to 850

Railroad retirement suffers by comparison with social security in all three areas. We have a much more complex benefit system than does social security, with more opportunities for error and with more agency-beneficiary contact needed to assure that the beneficiary understands his rights and obligations so as to prevent both forfeiture of benefits and overpayments. Yet our forces are spread thin as compared with social security's: whereas social security has one employee to serve 658 retirement beneficiaries we, with a much more complex system to administer, have one employee to serve 850.

Additional programs. Since 1977, we have become involved in the administration of four additional benefit programs and will soon be involved in a fifth. These are the administration of Titles V and VII of the Regional Rail Reorganization Act of 1973, Milwaukee Road Restructuring Act, Rock Island Transition and Employee Assistance Act, and Rail Safety and Service Improvement Act of 1982.

Unfortunately, we have been provided no staff resources. I suspect we are violating the law by devoting to these programs employees the Congress has specifically allocated for our retirement and unemployment insurance programs. We need a minimum of 30 employees for the administration of these programs, but we have been able to persuade neither DOT, which has main responsibility, nor OMB to provide us staff for these programs.

Effect of new legislation. Just as social security requires new legislation this year, so does railroad retirement. It seems unlikely that the railroad retirement changes will be mere tax increases; as with social security, there will doubtless be benefit changes for present beneficiaries and even greater changes for prospective beneficiaries. Already complex benefit formulas will become increasingly complex; already complex computations may be horrendously difficult to make and equally difficult to explain to beneficiaries. What might be a negotiator's or legislator's dream could be an administrator's nightmare. Implementation will require far-reaching changes in computer programs and computer systems, changes in procedures, changes in forms, education of both headquarters and field personnel, and initially more manual processing.

In my estimation, we shall need even more personnel and travel funds than we asked for, given the far-reaching changes likely to be made. We can ill afford, in fact, to wait until FY 1984 to get them, for the work must begin immediately the law is changed.

* * *

In my view, my colleagues and I were remiss last September in requesting administrative resources less than we knew we must have to administer properly the Railroad Retirement and Unemployment Insurance Acts—to provide our 1½ million clients, your constituents, reasonably good service and to safeguard the 6 billions of dollars we receive and pay out each year. As we said in September, the request for only 1,783 employees represented "a compromise between the level the Board considers it needs to perform well the functions required by the laws it administers" and the current level of 1,578.

Nevertheless, appropriation of the administrative funds we requested and allocation to us for our two basic programs of the 1,783 FTE employees we asked for would be an excellent second step toward recovery from the harm done to us the past five years. (The first step was action of the Congress last year to halt OMB's decimation of our staff.) Partial restoration for 1984 of what we have lost since 1978 would point us back toward good service to our beneficiaries, present and prospective, and good control of their benefit dollars.

INTRODUCTION OF ASSOCIATES

Mr. GIELOW. Thank you, Mr. Chairman.

I would like to introduce my colleagues. On my left is Charles Chamberlain, Labor Member of the Board; on my right, Earl Oliver, Management Member of the Board; on Mr. Chamberlain's left, Dale Zimmerman, our General Counsel; and on Mr. Zimmerman's left, Norman Solomon, our Chief Actuary; on Mr. Oliver's right, Dr. James Brown, our Chief Executive Officer; and on his right, James Hill, our Director of Budget and Fiscal Operations.

You have for the record my formal statement, which I would like admitted without my reading it further.

As Senator Percy knows, I was appointed to the Chairmanship of the Railroad Retirement Board last week. So I am making my initial appearance here on rather short order.

But during the time that I was contemplating the Railroad Retirement Board and the position of its Chairman I did have an opportunity to do some study of the Board on a general basis. I would like to make a few remarks concerning my observations during that period.

There were two aspects of the Board that seemed to me generally unstated but that could prove of great value to the broader constituencies of labor, management, and the government sector.

First, the formation of the Board is unique. There are members nominated by labor and management, respectively, sitting together full time with responsibility along with the public member for the administration of trust funds and to initiate negotiations and legislation necessary to maintain promised benefits.

This is really a formidable charge in itself.

An additional dimension of the uniqueness of the Board is the perspective of the present labor and management members. They have been able to work together realistically while still strongly representing their own constituencies. I have seen this in operation.

I believe this is a basis for creative solutions to problems in the railroad retirement system and perhaps even beyond.

Second, the size of the Railroad Retirement Board, 1,500 employees administering $6 billion in benefit payments, should allow it to become a pilot for installation of the many systems of modernization, automation, both available and in development within the whole data processing industry today.

At present this is far from the case at the Railroad Retirement Board. The first planning phase of a data processing system was presented to the staff this week. Given the proper priority and support, I believe the Railroad Retirement Board by bringing its administration into the 1980's technology could serve as a pilot for other benefit administrating agencies.

Sometimes with today's rapidly changing technologies it is possible to leapfrog over agencies using the technologies of 3 to 5 years ago, which because of size, inertia, or other internal problems have not been able to incorporate these new developments.

These are two of the potentials that I feel are generally unstated but are possible to build on at the Railroad Retirement Board.

I would like then to ask my colleagues, Mr. Chamberlain, and then Mr. Oliver, to make their own individual statements, with your permission.

Senator WEICKER. Go right ahead.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

As labor member of the Railroad Retirement Board, I would like to make a few personal observations regarding our agency's budget submission for fiscal year 1984.

This year we are able to present a budget package which will in my judgment for the most part adequately provide the resources necessary to carry out the Board's mission.

The limitation on administration of our programs presented in the budget represents a fair evaluation of our agency's need at this time. Like most other entitlement programs, our concern at the present is for the financial health of our system. Every dollar spent on administration means one less dollar we have in our reserves to pay benefits.

This does not mean that our agency is not actively seeking ways to improve service to our constituents, nor is there a diminished interest at the Board for addressing the concerns of Congress and the administration.

We hope that through the results of various contractual studies now underway, improvement in our operating efficiency will be realized along with long-term gains to the trust fund, particularly in the area of payment accuracy. We will continue to do all we possibly can with the resources we have available to prevent waste, abuse, and fraud, improve our record with regards to debt collection, and strengthen internal audits and investigation.

I must take strong exception, however, to the limitation placed in the budget submission for the vested dual benefit payment account. The approved level of $350 million is some $70 million less than is needed to pay these vested benefits to these 368,000 entitled recipients. The amount appropriated would result in cutback of these benefits by 18 percent this coming October.

In 1981 representatives of railroad labor and management gave their support to legislation which reduced the levels of these dual benefits to employees who would retire in the future and eliminated them entirely for spouses and widows who had not already been awarded such benefits.

In addition, in order to protect the railroad retirement system from costs otherwise resulting from inadequate appropriations, the law was amended to provide that the vested dual benefits actually paid in a particular year could not exceed the financing appropriations provided for that year. Previous general revenue appropriations shortfalls were made up with funds from the railroad retirement account, and to date this has cost our system in excess of $1.7 billion.

Despite these cost saving measures, the 1984 budget proposes that the dual benefit appropriation should be limited to $350 million. That, of course, is not the Board's view. As the member of the Board who serves as the representative of railroad labor I can state unequivocally that labor, along with management, acted responsibly to insure the continued soundness of the railroad retirement system by insulating it from costs which legislation enacted over 7 years ago contemplated should not be borne by the system. Railroad labor representatives certainly intend to continue to urge that full appropriations be provided so that the benefits of those already on the roles need not be reduced.

Mr. Chairman, as you well know, our railroad retirement system is experiencing, along with social security and other pension systems, serious financial problems. Labor and management representatives are fully aware of our funding problems and have been working diligently in a cooperative effort to solve our problem and insure the financial solvency of our system.

I am pleased to report that because of those efforts a most responsible package has been agreed to between the parties, the provisions of which are encompassed in H.R. 1646, now before the House Ways and Means Committee. We are hopeful that they will be acted upon and approved by the Congress in a most expeditious manner.

We believe that our new joint package will place our system in balance and insure the current and future solvency of our system.

We certainly appreciate this committee's concern and support in the past, and we respectfully request your continued support as we, labor, management, and the Congress, join together to protect current and future vested benefits of railroad retirement beneficiaries who depend on our system for their livelihood.

Thank you.

Mr. OLIVER. Mr. Chairman, I have prepared a rather lengthy statement that I will, with your permission, introduce into the record, and I would like to highlight certain points.

Senator WEICKER. The statement in its entirety has been included in the record.

Mr. OLIVER. First, I fully support the request of my colleague, Mr. Chamberlain, with respect to the social security dual benefit.

OMB likes to call the appropriation for that benefit a subsidy, and has done so for the last good many years, and in fact insisted that the Board call it a subsidy in the prepared statement that Mr. Gielow has introduced. In fact, because of OMB's underfunding of the social security dual benefit, the appropriation for it, the railroad retirement account has subsidized the general fund of the Treasury to the extent now of approximately $1.7 billion.

There is in the bill that Mr. Chamberlain discussed provision for repayment of that amount to the railroad retirement account.

The appropriation is not in fact a subsidy. The Congressional Budget Office I think titles it more appropriately—"Repayment of sums owed to railroad retirement account." And that's just exactly what it is.

As to Board resources for administration, I do not agree that every dollar spent on administration means one less dollar for benefits. Quite the contrary.

As you know, our examiners at OMB were until last year in the process of killing this agency. They had hoped to do away with railroad retirement by legislation, but if not by legislation, by starvation. They proposed to cut us from 1,900 employees we had 5 years ago to 1,100 by fiscal year 1985.

Last year, however, you rode to our rescue. You, Mr. Chairman, were cosponsor of an amendment to the budget resolution; and Mr. Burdick was cosponsor of that amendment. I believe Senator Percy voted for it.

That amendment in effect set aside certain things that OMB was attempting to do to us, including the underfunding of the social security dual benefit and cutting our resources to serve our constituents and to safeguard the $6 billion of their funds in our charge.

As a result of the Senate's action and action in the House of Representatives, the Congress authorized for us for 1983 not less than the 1,578 emloyees we had in 1982, and it increased our funds for business travel 44 percent above what OMB proposed to allow us.

Your action last year was a good first step toward agency recovery from the harm done it by our OMB examiners the past 5 years. A good second step would be partial restoration for 1984 of the resources we lost since 1978.

On page 5 of my prepared statement appears a short account of what my colleagues—at that time Mr. Adams and Mr. Chamberlain—and I asked for for 1984.

We asked for 1,783 employees, full-time equivalent employees, which we noted is considerably less than the numbers requested in previous years. We said that the 1,783 represented a compromise between the number we need to do a really good job and the current level. We noted that with employment at the present level we have seen a gradual deterioration of service, a gradual increase in backlogs, and a waste of trust funds for lack of good quality assurance.

We pointed out specific areas in which either the beneficiaries or the trust funds in our charge, or both, have been hurt by reductions in resources. We said the reductions have reduced the Board's ability to conduct disability reviews, and to do a number of other things that I won't recite here.

On pages 6 through 11 of my statement I discuss the decline in our service to our 1½ million beneficiaries, actual and prospective—our customers and your constituents—and give examples.

On page 8 are figures showing the increase in elapsed time between the filing of an application for retirement benefits and receipt of a final award.

In 1978 we were on average making two out of three awards within 90 days. By last year we had dropped to one out of three awards. In other words, two-thirds of our awards took longer than 90 days to make due to the lack of resources to make them. We are making more mistakes that create problems for our beneficiaries, and we are not affording our beneficiaries who are not competent to handle their funds the protections we once afforded.

Beginning at page 12 of my statement I discuss program integrity and the various opportunities we would have if we had the staff and travel resources to safeguard the billions of dollars in our charge from fraud, waste, abuse, and error.

In many too many of our field offices today we have been reduced to putting through unemployment claims for payment without any real investigation to determine their validity, and I describe a couple of studies that show substantial numbers of claims are not valid.

A subcommittee of the House of Representatives called for both an internal audit and an external audit, a GAO audit, last year of our disability benefits procedures and awards. Both our Bureau of Audit and Investigation and the General Accounting Office found our procedures and our investigations sadly deficient.

Small wonder. For we have a force of only 12 disability examiners to turn out some 7,000 disability awards a year. A single disability award may result in payments over an individual's lifetime in excess of $100,000. Yet each of our examiners is having to make such awards at the rate of two or three a day without time to get good medical evidence, without time to get good occupational evidence, and without time to provide a written rationale.

Neither do we conduct the disability reviews that the Congress in 1980 began requiring of social security. Social security came in for considerable criticism last year for overreacting to the requirement for reviews, but we are critized both by GAO and our own internal auditors for having no disability review program at all.

Like social security, we are paying millions of dollars to dead people. We are doing something about it despite shortage of resources, but we could do much more with adequate resources.

We are not monitoring earnings as we should, and we are far behind on recovery of unnegotiated checks.

At pages 21 and 22 I make some comparisons of the resources available to social security and those available to us.

Social security spends for administration more than twice as much per $100 of benefits as we spend. Its administrative cost per beneficiary is half again higher than ours; it has far more agency employees per hundred thousand beneficiaries than do we.

Our benefit system is much more complex than social security's. Yet our forces are spread thin as compared with social security's. If we had the administrative resources per beneficiary or per benefit dollar that social security has we could do a superb job of serving our customers—your constituents—and safeguarding their benefit trust funds from fraud, waste, abuse and error.

The difference in staffing and travel dollars between what my associates and I requested last September and what OMB recommends you appropriate is really quite small. Very small. And my statement indicates as much.

Thank you.

Senator WEICKER. Senator Percy, welcome to our committee. I know that you are interested in this matter and subsequent ones. Do you have any questions that you would like to pose to the board?

Senator PERCY. I have no questions, Mr. Chairman. I appreciate being invited back to join a session of the Appropriations Committee. I enjoyed serving on the committee.

I believe Chairman Gielow has covered most of the points that I have been concerned about. I believe we have more railroad employees in Illinois than in any other State. We try to stay very close to your concerns. I was delighted to see in your opening statement that the shadow has been now removed that has been held over for some time that there might be a consideration of abolishment of the retirement system, which I think has served the railroad community very well over a period of some 50 years. I joined with the Appropriations Committee last year in opposing the drastic cut in personnel, which I think would have made you less efficient and less effective. It's like saving money by cutting out Internal Revenue agents. You certainly don't do that. They are there to raise revenue, and much of your staff is there to administer it in a far more efficient manner.

So I simply commend both labor and management for what they have done, your chief executive officer and you, Bob, for your willingness to take on this new responsibility in a busy light. I commend all of you. Thank you very much.

Thank you, Mr. Chairman.

Senator WEICKER. Thank you very much, Senator Percy.

Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman.

When you talk about personnel level being raised from 1,578 to 1,783, how much money are we talking about?

Mr. OLIVER. Approximately $5.3 million. That amounts to a very, very small fraction of a mill per benefit dollar.

Senator BURDICK. They get $5 million?

Mr. OLIVER. $5 million, something over $5 million.

Senator BURDICK. What can you do with that money?

Mr. OLIVER. Provide a much better level of service to our customers who are your constituents. We are not providing that service now. We can have good quality control, which we do not now have.

As I indicated, both GAO and our own internal auditors indicated that we are very weak in the disability area, and I indicated in my statement that we are very weak in the unemployment claims area.

Presently we simply shuffle the papers through, pay the claims, if they are made, with a very minimum of investigation to see if they are proper claims.

We can do a whole host of things to safeguard the fund and improve the service to the retiree.

Senator BURDICK. I don't have your complete statement before me for some reason. Is that the only difference between the bill and what you wanted, $5 million?

Senator WEICKER. I think there is $80 million that you want also.

Mr. OLIVER. I'm sorry. I overlooked that. I was addressing solely the administrative costs.

Senator BURDICK. Thank you.

Senator WEICKER. Senator Byrd.

Senator BYRD. I have no questions.

Senator WEICKER. You give the figure $70 million. My records indicate that the decrease was some $80 million as to what was appropriated in 1983, which was $430 million, and what is being requested, which is $350 million, a difference of $80 million.

Mr. OLIVER. That is correct for 1983. For 1984, as Mr. Solomon can explain, that figure is reduced.

Mr. SOLOMON. The number of beneficiaries who receive those particular benefits declines over time. So the request for fiscal 1983 was $430 million, but the request for fiscal 1984 is $420 million.

Senator WEICKER. So the shortfall is in effect $70 million as to that item?

Mr. SOLOMON. Right.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions which I want to submit to the record for response to the record. I think most have been covered by the statements of the various witnesses.

Are there any further questions.

Thank you very much, gentlemen.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

1. Congress provided that for FY 1983 the total number of positions for the Railroad Retirement Board were to be no less than 1,578. Look at your budget justification for FY 1984, you provide for only 1,480 positions.

Please explain your reasons for the planned reduction in the number of employees.

Answer: The Congress provided in the FY 1983 appropriations act for less than 1,578 full time equivalent employees.

OMB cut this agency from 1,578 in FY 1983 to 1,528 in FY 1984. The FY 1984 budget, including reimbursable programs (such as Medicare), is allocated as follows:

Programs	FTEs
Railroad retirement	1,128
RR(reimbursable)	54
Unemployment insurance	341
Milwaukee Road	5
Total	1,528

The Agency doesn't plan any reductions in the number of its employees in FY 1984. The Budget Justification is based on missions, objectives, workloads and manpower requirements(that is why there are three levels). The 1480 is OMB's base level, the agency's reduced level. The next two budget levels, current and enhanced, display a more realistic view of the agency's staffing needs in FY 1984.

2. Over the past several years, there has been a continual reduction in staffing.

Can you explain the reasons for this trend?

Answer: The staffing reduction has resulted from the cuts that OMB made in the Board's employment ceiling. From a ceiling of 1920 employees in FY 1976, OMB reduced it over the next six years to 1900, 1858, 1820, 1795, 1750, and then down to 1578 in FY 1982. A ceiling of 1435 was established by OMB for FY 1983, but Congress restored the figure of 1578. This has been cut to 1528 by OMB for FY 1984.

If this trend continues, what kind of beneficiary services will be reduced?

Answer: The Board's field service would, of necessity, have to bear the greatest share of any further staff reductions. A variety of services now available there would be reduced or become less accessible. Pre-retirement counselling, which provides pension information that is vital to a person planning retirement, could not always be given on a case-by-case basis. The Board, with fewer field offices and less itinerant service to remote areas, could not provide claims taking services timely. The large proportion of people who prefer to file for retirement in person would have to travel further to do it. Merely finding out the status of a claim that has been filed would become frustrating. The job placement service the Board provides for unemployed railroaders would be curtailed. It would take beneficiaries longer to obtain answers to questions about their initial benefit awards and the subsequent adjustments that are made from time to time.

3. I have a letter from Earl Oliver, a member of the Board, who tells me that "the forced personnel and travel reductions have caused us to waste trust fund dollars to save administration pennies." How do you react to that statement?

Answer: Protection of the trust funds involves four broad areas of activities. First of all, the agency must make sure that benefit recipients are entitled to begin with and remain entitled throughout the period of payments. This is not just a cursory activity when you are talking about disability annuities, student benefits, and unemployment or sickness benefits. These types of benefits require continuous monitoring by such means as checking wage records, developing and reviewing current medical reports, interviewing unemployment recipients, checking State and employer records, and conducting computer tape matches.

Insuring the accuracy of benefit amounts is the 2nd area of protection. This requires ongoing, carefully conducted quality control activities that sample various types of cases for error. The third protection the agency needs is a system of internal controls (safeguards) that prevent, at the front end, the occurrence of errors, waste and fraud in manual and ADP operations. And finally, the agency needs a strong audit function to find out where the other three protections are failing.

Though some of the activities in these four areas are done through automation, much of the activity must be done by people, and a certain amount of travel is required to conduct investigations and check records. This agency has been unable to commit the personnel it should commit in any one of the four areas, let alone in all four of them.

There is no way to know how many trust fund dollars are being lost for lack of adequate resources in the four areas. However, for an agency that annually pays out $6 billion in benefits, the loss is undoubtedly a significant amount. The small cost in salary and travel of the personnel needed would be more than paid for by the savings to the trust fund.

4. Last year I supported an amendment to the appropriations bill which essentially stopped the closing of field offices. Do you anticipate the closing of field offices during FY'84?

Answer: The full-time equivalent (FTE) employee ceiling recommended for this agency by the Office of Management and Budget for FY 84 is 1528. This is a reduction of 50 man-years from our FY 83 FTE allocation of 1578. As a result this agency is in the process of determining how we will meet this reduction if the Congress approves it. Our preliminary evaluation indicates that conformance with this reduction will result in a need to close some district offices, and change the status of some offices to base points (offices which perform limited functions). The number and location of offices that may be affected has not been determined at this time.

5. On Page 24 of your budget justification you briefly discuss automated services. What are your plans in this area?

Answer: In FY 1982 we contracted with MITRE Corporation to assist us in developing our automation plan.

Although there was slippage on some milestone dates, particularly on rate history file development tasks, the overall contract is still on schedule. MITRE will have completed assisting us in developing our user requirements, alternative information system designs and a long-range automation plan in one year as originally planned (by April 1983). The major deliverables we expect to receive in the next few weeks, which will complete the contract, are the long-range automation plan, the preliminary design for automating retirement claims functions, and the maintenance design program for the rate history file.

MITRE identified and documented user functional requirements for the following 20 programmatic and administrative functions:

Programmatic

1. hearings and appeals processing
2. medicare processing
3. program management information
4. program quality assurance
5. railroad compensation, service record
6. retirement, survivor claim processing
7. unemployment, sickness case processing

Administrative

8. accountable property management
9. accounts payable
10. accounts receivable
11. administrative review and payments verification
12. budget
13. funds collection and management
14. general ledger
15. information resource management
16. payroll
17. personnel
18. planning
19. requisition and purchasing
20. supplies management

Preliminary cost-benefit data provided by MITRE showed that developing new application software in an interactive environment for functions 2, 4, 5 and 6 (referred to as retirement claims functions) would generate substantial savings, and significantly increase the timeliness and quality of service delivery.

Estimates prepared by the Board and MITRE indicate that approximately $2.0 million in fiscal 1983 and the $4.7 million requested in fiscal

1984 will be needed for the detailed systems analysis and programming to automate retirement claims functions.

6. Q. Last year Congress increased the Administration's request for the Dual Benefits Payments Account (also known as windfall benefits) by $80 million (appropriation $430 million). You are again requesting the same amount of $350 million. What are your reasons for requesting to cut last year's appropriation?

A. The Board requested $420 million for the Dual Benefits Payments Account for fiscal year 1984 in its submission to the Office of Management and Budget. The Office of Management and Budget cut the Board's request to $350 million.

Q. Is there anything new in this request that would cause Congress to change its position?

A. No. Dual benefits paid to beneficiaries on the rolls would still have to be cut if the full amount is not appropriated.

Q. How much would Congress have to appropriate to fully fund these benefits?

A. $420 million.

7. It is my understanding that in 1981 Congress passed a "Benefit Preservation" provision known as Section 22.

Question A. Could you briefly summarize the purpose of that section?

Answer. The purpose of Section 22 is to provide an orderly means of paying railroad retirement beneficiaries the maximum portion of their benefits possible in the event that the amount of money available is insufficient to pay full benefits. Section 22 also ensures that railroad retirement beneficiaries will receive in every month at least as much as they would have received if railroad employment had been covered under social security.

Question B. When do you anticipate the first activation of the Section 22 provisions?

Answer. The first cut in benefit payments will occur on October 1, 1983, unless other corrective action is taken.

Question C. How many beneficiaries would be affected?

Answer. Virtually all the Board's nearly one million beneficiaries would be affected.

Question D. What would be the level of cuts beginning on the expected date of activation?

Answer. Tier 2 benefits would be reduced by about 40 percent on October 1, 1983.

Question E. Would further cuts be required in later years?

Answer. Yes.

Question F. Would benefits eventually return to pre-reduction levels?

Answer. Projections indicate that benefits would not return to pre-reduction levels through 1992.

8. The Senate recently considered the Ford amendment to the urgent supplemental appropriations bill. This amendment extends unemployment benefits to unemployed railroad workers with less than 10 years experience by 10 weeks and provided $125,000,000 in direct appropriations to the RRUIF.

A. Are there sufficient resources in the retirement fund to provide extended benefits beyond the expiration of the funding provided by the Ford amendment?

Technically, yes. However, additional borrowings from the retirement fund will further reduce the tier II benefits paid to beneficiaries under the retirement system. At present, we estimate that for fiscal year 1983-84 it will be necessary to reduce tier II benefits by 40%. This is due to the borrowing by the unemployment account and to the reduction in tax income caused by much lower-than-projected railroad employment. If extended benefits were provided beyond the expiration of funding provided by the Ford amendment, additional funds would have to be borrowed from the retirement fund. This would increase the reduction percentage to be applied to the tier II benefits.

B. How many workers, with more than 10 years of rail service who are not affected by the Ford amendment, have also exhausted their unemployment benefits?

During calendar year 1982, there were about 4,500 employees with more than 10 years of rail service who exhausted their unemployment benefits.

9. It is my understanding that a House of Representatives bill, H.R. 1646, and Senate bill (S.97) that would supposedly restore RRS solvency for at least the next decade, requests repayment of outstanding windfall appropriations in three installments.

Question A. What would be the impact to the Railroad Retirement Account's ability to issue full checks in a timely fashion over the next decade if Congress did not reimburse the account for past windfalls?

Answer. The Account's ability to issue full checks on a timely basis, assuming that Congress does not reimburse the Account for past windfall appropriation shortfalls but that the rest of H.R. 1646 is enacted, depends on the future level of railroad employment. These reimbursements could make the difference between being able and not being able to pay full benefits in the event of a very steep decline in railroad employment.

Question B. Is the refinancing package now before Congress not adequate if these funds are not appropriated?

Answer. If the funds are not appropriated, the refinancing package may or may not be adequate, depending on the level of future railroad employment.

If railroad employment drops gradually from the current 384,000 to 340,000 by 1989 and remains at that level, the refinancing package should be adequate, even if the funds are not appropriated. If employment drops below 300,000 by 1989, the package will probably be inadequate unless the funds are appropriated.

Question C. How much margin of safety in employment levels is provided by the request for repayment contained in this package?

Answer. If Congress approves the request for repayment contained in the package, the retirement system should be adequately funded unless employment drops below about 250,000 by the late 1980's. The current level of railroad employment is 384,000.

10. The railroad unemployment insurance account (RUIA) is required by law to borrow from the Railroad Retirement Account when its own funds are exhausted.

A. Will the continued payment of unemployment benefits (unaffected by the Ford amendment) with funds drawn from the retirement account mean that retired worker benefits would decrease so that unemployed worker benefits can be paid?

Answer: Yes. On October 1, 1982 the amount on loan from the Retirement Account to the Unemployment Insurance Account was $286 million. During fiscal year 1982-83, we estimate that an additional $362 million in loans will be required. Because of these loans and the reduction in tax income due to the larger-than-projected decline in railroad employment, we estimate that for fiscal year 1983-84, a 40% reduction will be required in the tier II benefit amounts. This is to ensure that the retirement system will not exceed its borrowing authority under section 22 of the Railroad Retirement Act. It is estimated that reductions of tier II benefits would also be needed for the fiscal years 1984-85 and beyond. Continued borrowings from the Retirement Account would increase the reduction percentage to be applied to the tier II benefits.

B. It has been proposed that the Railroad Unemployment account should borrow from the Treasury. Why are railroad employees excluded from the normal State Unemployment Insurance programs?

Answer: The State unemployment programs were established in 1935 under the Social Security Act, and they varied in the level of benefits provided. As a result, railroad employees working in the same job for the same employer but in different States often received different treatment and different benefit amounts when they became unemployed. Railroad employees whose jobs required that they cross State lines sometimes found that they weren't eligible for benefits in any of the States in which they worked. These complications prompted the National Security Commission, studying the State plans a few years later, to recommend coverage by a separate plan and the Congress to enact the Railroad Unemployment Insurance Act in 1938.

11. How would railroad employment patterns change if unemployed rail workers were covered under the State UI programs?

If unemployed rail workers were covered under the State UI programs, there would probably not be much change in the placement of such workers. While the States have an employment service, the Board also operates a free placement service, directed toward securing reemployment of railroad workers who have lost their jobs. The Board, with the cooperation of railroad management, railroad labor and State employment service offices, tries first to place claimants in a job in the railroad industry. If this is not possible, efforts are made to place them wherever a suitable job exists.

Question 12. How would sick leave programs operate for rail workers if the combined sickness and unemployment program was terminated?

Answer. If the combined program is terminated, rail workers residing in the five States and Puerto Rico that have temporary disability insurance laws presumably would be covered under those laws. Those five States are California, Hawaii, New Jersey, New York, and Rhode Island. Employees residing in the other States would not be covered by a sickness benefit program other than whatever sick leave programs have been set up through negotiated rail labor-management agreements.

13. How would the costs to railroads change if railroad unemployment became covered by State UI programs?

According to the Administration proposal, railroad employers would begin making contributions under the State UI programs on January 1, 1984. This could be considered an additional cost, as railroad employers would continue making contributions at current levels to the railroad unemployment insurance account. These latter contributions would provide for (a) the payment of sickness benefits, (b) the administrative costs of the sickness benefit program and (c) the repayment, with interest, of advances made to the railroad unemployment insurance account from the Federal unemployment account.

The transfer of coverage to the State UI programs could also be expected to result in additional administrative costs.

14. What percentages of unemployed rail workers would receive more in benefits and how many less if RUIA was transferred to the State UI program?

Based on the current geographical distribution of railroad workers, about 75% would receive benefits at a higher rate than under the RUIA, 7% would be at the same rate, and the remaining 18% would be at a lower rate. However, differing

eligibility rules and maximum benefit periods make comparisons of amounts of benefits received difficult. The maximum benefit periods under the RUIA could, in many instances, be longer than under State UI programs.

15. Under the Railroad Retirement Act of 1974, the main Railroad Retirement Account was to be reimbursed from the general fund on a level basis for windfall payments. The practical effect of appropriations too small to fully reimburse the Railroad Retirement Account for current windfall payments was to draw down the fund by the unreimbursed amount.

Question A. What are the differences in the method for funding payments from the "Dual Benefits Payment Account" and financing these same windfall payments under the Railroad Retirement Act of 1974?

Answer. The 1974 Act authorized 25 level annual appropriations from the general funds (one for each of the fiscal years 1976-2000) for the financing of windfalls and specified that the amount to be appropriated was to be determined by the Board and re-evaluated periodically. The amount was to be enough to pay for the windfall benefits (many of which will be payable after 2000) and for any loss of interest caused by paying the benefits, reduced by the gain to the Railroad Retirement Account caused by the liberalized investment rules of the 1974 Act.

The 1981 amendments provided that dual benefits be paid from a separate account, the Dual Benefits Payments Account, and that appropriations to pay these benefits be made to that account. The appropriations are on a pay-as-you-go basis rather than a level-payment basis. This means that, starting in fiscal year 1982, each annual appropriation is to be sufficient to pay windfall benefits for that year. If the appropriation is less than required, the Board must reduce windfall benefits to a level which the amount appropriated will cover.

Question B. Are these unreimbursed amounts from past years which were paid by the main Railroad Retirement Account?

Answer. The original estimate of the level appropriation required to finance the windfall, made before enactment of the 1974 Act, was $250 million per year for each year from 1976 through 2000. This estimate was revised substantially upward, to $350 million and then to $499 million, in the two actuarial valuations which followed the 1974 Act. One of the major reasons for these upward revisions was the effect of the high rate of inflation on windfall benefits first awarded after 1974, which was not foreseen in the original estimate.

The Office of Management and Budget, however, succeeded in reducing the Board's request for windfall financing to either the original estimate or an amount much lower than recommended by the Board's actuary. Legislation was drafted, under OMB's instructions, which would have placed a maximum of $350 million on the windfall appropriation.

There was no provision in the law to reduce windfall benefits if the appropriation was less than required for full funding. This meant that railroad retirement taxes were being used to make up the shortfall in the windfall appropriation. The resulting drain on the Railroad Retirement Account contributed to the cash flow crisis predicted for 1982 or 1983.

Question C. What was the total amount of any unreimbursed dual benefits windfall payments?

Answer. The shortfall with respect to windfall benefits paid prior to October 1981 was made up with funds from the Railroad Retirement Account. There is no provision under current law for compensating the Account for having absorbed this shortfall in Congressional appropriations. Furthermore, the shortfall continues to grow when the effect of interest is included. The amount involved is substantial as shown in the following table. As of December 31, 1982, the deficit amounted to about $1.7 billion (the $1,448 million in the table accumulated with interest for 15 months). Dollar amounts are in millions.

Calendar year	Appropriation	Benefits	Deficit, end of year, including interest
1975	-	$386	$396
1976	$500*	390	301
1977	-	419	748
1978	563*	422	641
1979	313	431	816
1980	313	440	1,063
1981#	37**	299##	1,448

* Includes appropriations for two fiscal years.

# January through September.

** This is the amount appropriated for fiscal year 1981 (350 million) less the portion of the fiscal year 1981 appropriation which was actually received in calendar year 1980 ($313 million).

## Covers eight months of benefits since the September accrual amount was paid on October 1.

Question D. During this fiscal year, how much do you expect to be lost in interest to the main Railroad Retirement Account because of unreimbursed amounts?

Answer. Approximately $150 million.

16. Payments from the "Dual Benefits Payments Account," also known as "Windfall Benefits" are made to about 390,000 beneficiaries of the Railroad Retirement System. These are persons who were entitled to benefits from both social security and railroad retirement before Congress changed the law in 1974.

A. Who has the authority to allocate funds to the Dual Benefits Payments Account when an appropriations bill has not been passed?

Answer: Section 15(d) of the Railroad Retirement Act (45 U.S.C. 231n(d)) provides, in pertinent part, as follows:

> "Not more than 30 days prior to each fiscal year beginning with the fiscal year ending September 30, 1982, the Board may request the

> Secretary of the Treasury to transfer from the Railroad Retirement Account to the credit of the Dual Benefits Payments Account any amount not exceeding one-twelfth of the amount which the Board has determined will be the amount of the appropriation to be made to the Dual Benefits Payments Account under the applicable Public Law making such appropriation for such fiscal year, and the Secretary of the Treasury shall make such transfer."

Thus, the Board is given the authority for allocating funds, within the parameters established by the Railroad Retirement Act, to the Dual Benefits Payments Account when there has been no appropriation.

In this regard, the Board on November 17, 1981, did request the Secretary of the Treasury to make the transfer required by section 15(d) of the Act. On November 20, 1981, the Secretary of the Treasury refused to make the required transfer. The position of the Department of the Treasury is that the "borrowing authority" is available only during the period commencing 30 days before the start of a fiscal year and ending with the start of the fiscal year. It is the Board's position that the borrowing authority is available not only during this 30-day period, but also at any time during the fiscal year where because of a lag or possible lag in the appropriation or a continuing resolution funds may not be available to pay dual benefits on a timely basis.

The Board, on April 2, 1982, requested the Comptroller General to resolve this dispute. The Comptroller General has not, as yet, responded to the Board's request. This question is of more than academic interest. Because of the delay in passing a continuing resolution in November 1981, it was necessary for the Board to release benefit checks on December 1, 1981, without any dual benefit payment amount. When a continuing resolution was passed the Board sent out the dual benefit payments in a supplemental check. This entailed extra administrative costs to the Board and the Treasury and possible severe financial hardship to many dual benefit payment beneficiaries.

B. How do you determine what level of payments to make when money has not been appropriated?

Answer: As stated in the answer to part A of this question section 15(d) of the Railroad Retirement Act requires the Board to determine the amount of the projected annual appropriation for the Dual Benefits Payments Account when no such appropriation has been made. Based on discussions with the staffs of the appropriations committees in both houses of Congress and the level set in the appropriation bill then pending, the Board must determine the amount of the annual appropriation which will be made. The Board must then determine the total amount of dual benefits that would be made in the month in question. If the amount that may be borrowed pursuant to section 15(d) of the Railroad Retirement Act for the month is equal to or greater than the amount of dual benefit payments that will be paid in that month if no reduction were required, then full dual benefit payments will be paid for that month. If the amount that may be borrowed is less than the amount of full dual benefit payments for the month, the payments will be reduced by an equal percentage necessary to bring the payments down to the level of funds available.

The number of persons entitled to dual benefit payments is declining and will continue to decline in the future. Thus, there are more persons entitled to dual benefit payments in the first month of a fiscal year than in the last month and, consequently, the amount of money needed to pay these benefits in the first month is greater than in the last month. The current limitation on borrowing contained in section 15(d) of the Act of one-twelfth of the anticipated appropriation would have the effect of underfunding dual benefit payments in the first few months of the fiscal year.

C. Can you offer any suggestions as to how the payment levels at the beginning of the fiscal year can be classified in advance?

Answer: The major problem in determining the level of dual benefit payments where no appropriation has been enacted derives from the language in section 15(d) of the Act which limits the amount that may be borrowed to one-twelfth of the anticipated appropriation. Since there are more beneficiaries on the rolls at the beginning of a fiscal year than at the end of the fiscal year, this limit on the amount that may be borrowed will result in reduced dual benefit payments even where the anticipated appropriation provides for full funding of dual benefits on an annual basis.

In order to resolve this problem it would be necessary to amend section 15(d) of the Railroad Retirement Act to change the limitation on the amount that may be borrowed. Such an amendment is contained in H.R. 1646, the Railroad Retirement Solvency Act of 1983, which was introduced in the House of Representatives on February 24, 1983, by Mr. Florio. The amendment provided in H.R. 1646 would change the maximum that may be borrowed for one month from the current one-twelfth of the anticipated appropriation to the amount that the Board estimates will be necessary to pay the windfall benefits, at the reduced rate if appropriate, for the month in question. Changing the maximum that may be borrowed to the amount estimated to be necessary to pay the benefits for the month would permit the payment of the amount of benefits to which the beneficiaries are actually entitled in the month in question.

As the answer to part A of this question indicates there also is a problem in determining the level of dual benefit payments which arises during a fiscal year when there is a delay in enactment of a continuing resolution. This problem would be resolved if the Comptroller General agrees with the Board's position that the borrowing authority may be exercised during the fiscal year as well as in the 30-day period before the start of the fiscal year.

D. What was the impact of 1981 legislation on the prospective funding of Dual Benefits Payments Account?

Answer: Section 15(d) of the Railroad Retirement Act of 1974, prior to its amendment in 1981, provided for annual appropriations from general revenues to the Railroad Retirement Account for the fiscal years beginning with fiscal year 1976 and ending with fiscal year 2000 to cover the costs of dual benefits. The scheme for funding provided in section 15(d) called for the appropriation of such sums as determined by the Board to be necessary on a level basis over the 25 year period to fully cover the costs of dual benefits. Section 15(d) also provided for a periodic review of the determination of the amount of level annual appropriations necessary to fund the costs of dual benefits.

At the time of enactment of the 1974 Act it was contemplated that under the level appropriation scheme for funding dual benefits, the appropriations for the earlier years would be less than the actual dual benefit payments with the appropriations for later years, which, due to a continual decline in the number of dual beneficiaries, would exceed the actual payments in such years, making up for the shortage in the earlier years.

The appropriation to the Railroad Retirement Account for each year in the period January 1, 1975, to October 1, 1981, was considerably less than the amount of dual benefits actually paid in the year, and also less than the amount that would have been required on a level basis over the 25 year period to cover the costs. The excess amount of payments over the amount of appropriations for this period was paid from other moneys in the Railroad Retirement Account, thus draining from the Account funds needed to pay regular retirement annuities. The loss to the Railroad Retirement Account as a result of the shortfall in appropriations compared to actual dual benefits paid between January 1, 1975, and October 1, 1981, was, as of December 31, 1982, approximately $1.7 billion, an amount which grows with interest.

To remedy this problem, the Omnibus Budget Reconciliation Act changed the method of financing windfall dual benefits by amending section 15(d) of the Railroad Retirement Act to provide a separate Dual Benefits Payments Account from which payments would be made from annual appropriations to the Account. In addition, section 7(c) of the Railroad Retirement Act was amended to provide that the amount of dual benefits that would be payable in any fiscal year would be limited to the amount available in the account for such payments. Thus, in any fiscal year in which the amount of the appropriation to the Dual Benefits Payments Account is less than the amount of dual benefits to be paid in the year, the Board must reduce dual benefit payments by the percentage required to bring the payments within the amount appropriated.

17. Last year the Administration required reduced staffing levels for the Railroad Retirement Board. Considerable resistance to this proposal emerged and Congress chose to freeze personnel ceilings in the final FY 82 supplemental appropriations bill and continued these levels for FY 83.

A. How have RRB practices been restructured to accommodate a declining beneficiary population?

Answer: The beneficiary population we service has increased rather than declined. Although there has been a small decrease in the number of railroad retirement beneficiaries, there has been a large increase in the number of railroad unemployment insurance claimants. Additionally, in recent years this agency has been directed to administer a number of programs established by legislation which provides benefits to railroad employees adversely affected by the restructuring of railroads. Currently, this agency is administering the Milwaukee Railroad Restructuring Act (Milwaukee Road employees) and the Regional Rail Reorganization Act (Conrail employees). These programs have increased the number of individuals we are required to service. Further, the recently enacted Rail Safety and Service Improvement Act of 1982 will result in a similar program for employees of the now defunct Rock Island Railroad. In any case, this agency on a continuous basis evaluates its organization and methods of operations in order to ensure that they are as effective and efficient as possible. For example, within the last 12 months, this agency has:

- analyzed the functions performed and structure of our field service,
- analyzed the use of retirement self-administered applications (completion of applications by railroad workers and their families),
- initiated a study of the use of toll-free telephone service, and
- initiated a study of the use of computer terminals in our field service.

The results of such studies have and will continue to permit this agency to make necessary changes to our organization and methods of operations in accordance with fluctuations in workloads resulting from the number of individuals we service.

B. What further initiatives might be undertaken?

Answer: This question assumes a decline in the number of beneficiaries we service. As shown above, this is not the case. However, we are upgrading our ADP capabilities and studying the advantages and disadvantages of centralizing some functions and decentralizing others.

C. What functions of the Railroad Retirement Board field offices cannot be replaced by more centralized services?

Answer: Detailed below is a list of functions which cannot be performed centralized:

Interviewing unemployed claimants to determine eligibility.
Assisting unemployed workers in finding work (placement program).
Training and monitoring the performance of unemployment claims agents.
Counseling of claimants and retired beneficiaries so that they will know their rights and obligations (this activity is performed in person usually at the time of application for benefits).
Assisting handicapped individuals in obtaining benefits for which they are eligible, individuals mentally disabled, individuals physically incapacitated, individuals unable to read and/or write.
Conducting initial hearings in retirement overpayment recovery cases.
On-site visits to representative payees to ensure the proper use of benefit payments.
Verifying the illnesses of sickness benefit claimants.
Documenting by visual observations the physical condition of sickness claimants and disability applicants.
Obtaining facilities to perform medical examinations when required for proper adjudication of an application for disability benefits.
Performing wide-ranging investigations to ensure the propriety of benefit payments, e.g., verify the death of an individual, determine if an individual is working or did work while receiving

unemployment benefits, locate individuals who owe us money, determine if a disability benefit recipient is still disabled. Training railroad and union officials in their responsibilities under our programs.

Additionally, it is important to note that this agency has and is attempting to determine if some functions could be centralized and performed in an effective and cost efficient manner. Three such studies are discussed below:

. Self-Administration of Retirement Applications - The objective of this study was to determine if individuals could file for retirement applications by use of a self-administered application. The recently completed study determined that applications filed through the self-administered process will require more staff time than completion of the forms by our staff through the in-person decentralized approach. Additionally, the study found that the quality of applicant completed forms was insufficient for proper adjudication. Seventy-two percent of the applications required recontact of the applicant due to improper completion.

. Toll-free Telephone Service Study - The objective of this study is to determine if certain types of inquiries should be handled centralized. This study will be completed within the next six months.

. Field Service Terminal Study - The objective of this study is to determine the feasibility of terminals in the field service.

In summary, most of the functions now performed by our field service cannot be performed centralized in a cost effective and efficient manner but yet must be performed in order for this agency to administer its programs in compliance with current legislation.

18. Mr. Oliver, in your prepared testimony you make a compelling case for a substantial increase in both dollars and staff to permit the Board to properly carry out its assigned duties.

I wonder if you could give us a rough idea of how much you could expect to save for each additional dollar we might permit you to spend on additional personnel to more adequately administer your unemployment, disability and retirement programs?

Answer: I would expect to save at a very minimum five dollars in erroneous benefit payments for each additional dollar we spend on such activities as audits, good investigation of disability applications, good investigation of unemployment and sickness insurance claims, tape matches of employment and deaths, and placement of the unemployed.

My prepared statement quotes GAO's projection of "total questionable determinations" for our T&P disability awards as from $10 to $15 million for the year covered by its study. A limited computer match with Medicare disclosed $1½ million in RRB payments to dead people. (SSA Commissioner John Svahn estimated SSA may have paid $100 million to dead people.) Our auditors estimate we could recover $2.4 million in unnegotiated checks for three years if we had the staff to do it. A one-time computer match several years ago suggests UI payments of almost $½ million in the year studied went to persons who were ineligible by reason of working for a railroad on the days claimed. A recent attempt at a single field office to check railroad payrolls against unemployment insurance claims prior to payment suggests even greater savings. A comparison of UI recoverables for 1979 vs. 1982 suggests we found $8 or $9 million less in recoverables for 1982 than our 1979 experience would have indicated. These are a few indicators.

I regard my five-dollar estimate as modest. Some time ago, Social Security's inspector general estimated that social security's losses through error, fraud, and abuse amounted to 1½ to 2 per cent of benefits paid. If that ratio of losses to benefits obtains at our agency--and I should think it is higher, given our paucity of resources--, prevention of half the losses would pay most of our total administrative costs; it would pay several times the increased cost for personnel and travel that the agency needs to do a really good job.

19. Mr. Oliver, can you reconcile your convincing plea for additional personnel with the fact that the appendix to the President's budget estimates that approximately 15 per cent of your permanent positions will be unfilled at the end of fiscal years 1983 and 1984? This is a very high percentage of unfilled slots for any agency.

Answer: I cannot. Our budget director tells me the figures are not ours.

On March 7, I asked our chief executive officer whether the agency is fully staffed at the FY 1983 level of 1,578 FTE. He replied that, as of February 28, we had 1,566 employees, twelve fewer than the 1,578 FTE authorized. The twelve are vacancies arising from normal--possibly abnormal--turnover and are vacancies we would expect to fill.

20. In fiscal year 1982, the last full year for which we have complete data, the Board was unable to obligate $4.3 million of the $45.1 million provided under the limitation on administrative costs. This represents almost 10 percent of your total limitation. Can you tell us why you lapsed such a substantial amount of money?

Answer: There were three major areas which accounted for a bulk of the substantial amount of unobligated funds at the end of fiscal year 1982:

- Object Class 11 - Compensation - $655.0 thousand
- Object class 232 - Communication, Rent of Building, Rent of Equipment - $335.0 thousand
- Object Class 25 - Contracts - $3,100.0 thousand

During fiscal year 1982 funds were provided for full funding of authorized FTEs. The year-end total indicated the Board was under the authorized ceiling by 12 FTEs. The reason for this shortfall is that we anticipated having to go to the lower FTE ceiling that OMB had recommended; we considered it wasteful and unfair to hire people who would soon have to be RIFed. This accounted for approximately $300,000. In addition, the Board was reimbursed approximately $355,000 for work connected with the Department of Transportation Title VII program late in the year, and those funds could not be obligated.

Communications (FTS, line charges, commercial cost) accounted for approximately $80,000 in unobligated funds. Budgeted funds identified $990,000 but actual cost totalling $910,000. Rent of building identified $1,650,000 available with actual cost totalled $1,545.000. In addition to the lower rent cost, $82,000 was credited to fiscal year 1982 for overpayment of rent paid to GSA during fiscal year 1981. Also during fiscal year 1982, various items of equipment which had been budgeted for under rent of equipment were reviewed and purchased under the various lease - option to purchase agreements.

The bulk of the unobligated funds was contract money. Of the $3,100,000 in unobligated contract money $1,225,000 was provided by the Congress as two year money, and thus was actually carried over for obligation during fiscal year 1983. The remaining $1,875,000 was identified for purchasing new furniture for the headquarters location.

Unfortunately, GSA did not provide a delegation of purchase authority for the planned systems furniture purchase to allow obligation of those funds.

21. Although Railroad Retirement Board staffing will not increase between 1983 and 1984, I note that you are requesting a budget increase of $8.9 million -- about 19 percent. Can you tell us why you are unable to hire additional personnel with an increase of this magnitude?

Answer: The Board's ability to hire personnel is directly controlled by the OMB ceiling on full-time equivalents(FTEs). For FY 1983, that ceiling is 1,578 and for FY 1984, the OMB recommended ceiling is 1,528. The Board's employment level, therefore, will decrease by 50 from FY 1983 to FY 1984 if OMB's recommendation is adopted by the Congress.

22. In 1982 the Secretary of the Treasury advanced $50 million to the Railroad Retirement Board to pay annuities. In 1983 this is scheduled to increase to $1.45 billion. In 1984 it will jump up to $2.55 billion. The Treasury will be paid back through the Social Security Trust Fund, as I understand it. Is this correct?

Answer. Essentially, yes. However, the Treasury will be paid back by the Railroad Retirement Account with money received through the regular financial interchange transfer with social security.

Question. Can you tell us why you are anticipating a 75 percent increase in these Treasury advances between 1983 and 1984?

Answer. The Board will not need to borrow the maximum amount of money available to it in fiscal year 1983 in order to pay full benefits. It will need to borrow the maximum amount available in 1984, and, in addition, cut benefits in order to avoid exceeding its borrowing authority. The difference in the amount borrowed in the two years is essentially the excess of outgo over income.

Question. What level of advances do you anticipate in 1985 and 1986?

Answer. $2.1 billion in 1985 and $2.5 billion in 1986, unless Congress enacts legislation.

23. Do you have a system for measuring the productivity of your work force and, if so, what percentage of your employees are covered by the system?

Answer: Yes, the Railroad Retirement Board has had a mechanized work measurement system (WMS) in operation since September 1977. This system at present covers essentially 100% of Board employees.

24. The language in Public Law 97-377 states that "not less than $16,644,000 shall be apportioned for fiscal year 1983... from moneys credited to the railroad unemployment insurance administration fund" for administration of the Railroad Unemployment Insurance Act, yet according to your justifications only $13,828,000 will be provided for the current year because "income to the fund has been insufficient to support this level." Can you explain what this means? Do you anticipate that only $13,828,000 will be credited to the fund in fiscal 1983?

How did you arrive at this estimate of amounts to be credited to the fund? Suppose this estimate is too low. If an additional amount is credited to the fund would you hire additional personnel? Could the Secretary of the Treasury advance an additional amount to the fund pursuant to Section 11(a) (ii) of the Railroad Unemployment Insurance Act if he so wished?

Answer: Yes, the $13,828,000 shown as income to the Unemployment Insurance Administrative Account in fiscal year 1983 is lower than originally forecast due to lower employment levels in the railroad industry. This account is funded by 1/2 of 1 percent of contributions paid by employers directly to the Board under provisions of the Railroad Unemployment Insurance Act. Interest on funds invested is an additional source of income for this account.

Since this is a no year fund, unobligated funds at the end of each fiscal year are carried forward to the succeeding year. The amount carried forward at the end of fiscal year 1982 was $2,841,118.

Contribution receipts and interest income were estimated at $10,987,000 at the beginning of fiscal year 1983. This $10,987,000 plus the $2,841,118 carried forward from fiscal year 1982 gives us $13,828,118 to obligate for fiscal year 1983.

The estimate has now been revised. Estimates of contribution reeipts and interest income done after the start of fiscal year 1983 indicate that we will receive $10,587,000 instead of $10,987,000. This means that the total available for obligation in fiscal year 1983 will be $13,428,118 and not $13,828,118. Employment levels in the railroad industry have been declining steadily.

Also, since our FTE level remains at 1578, it is unlikely that we would hire additional personnel should additional funds become available. We would reinstate some of the projects or curtailed work that was set aside when we learned that available funds would be less than the $16,644,000 shown in Public Law 97-377.

Section 11(a)(ii) of the Railroad Unemployment Insurance Act refers to Section 11 (b) which states: Until the amount appropriated by this subsection is credited to the fund, the Secretary of the Treasury is hereby directed to advance to the credit of the fund such sums, but not more than $2,000,000, as the Board requests for the purpose of financing the costs of administering this Act. Such advance shall be repaid from the fund at such time after the amount appropriated by this subsection is credited to the fund as the Board by agreement with the Secretary of the Treasury may determine, but not later than January 1, 1940." That section, therefore, expired on its own terms in 1940, and cannot be used now.

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF EDWARD J. PFISTER, PRESIDENT

ACCOMPANIED BY:
SHARON P. ROCKEFELLER, CHAIRMAN, BOARD OF DIRECTORS
SONIA LANDAU, VICE CHAIRMAN
FRED P. WACKER, VICE PRESIDENT, ADMINISTRATION, AND TREASURER

PREPARED STATEMENTS

Senator WEICKER. Next we will hear testimony on the fiscal year 1984 budget for the Corporation for Public Broadcasting as presented by Mr. Edward Pfister, the President of CPB.

Mr. Pfister, I understand you are accompanied this morning by Sharon Rockefeller, Chairman of the Board of Directors, and Fred Wacker, the Vice President of CPB.

Welcome, all of you. Your statements in their entirety will be placed in the record. Why don't you proceed in any way that you care to.

[The statements follow:]

Statement of Sharon Percy Rockefeller

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I WELCOME THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS CPB'S FY 1986 BUDGET APPROPRIATION AND THE PROPOSED RESCISSION OF OUR FY 1985 APPROPRIATION.

PUBLIC BROADCASTING SETS A STANDARD OF EXCELLENCE FOR THE BROADCASTING INDUSTRY. OUR AUDIENCES ARE LARGER THAN EVER. MORE THAN 100 MILLION VIEWERS WATCH PUBLIC TELEVISION EACH WEEK. PUBLIC RADIO HAS MORE THAN NINE MILLION LISTENERS.

THE CORPORATION HAS COMMITTED $6 MILLION, OVER A THREE-YEAR PERIOD, TOWARD THE FIRST SEASON OF A CHILDREN'S AND FAMILY DRAMA SERIES, TO AIR IN 1984. THIS COMES AT A TIME WHEN COMMERCIAL TELEVISION HAS ALL BUT ABANDONED CHILDREN'S PROGRAMMING. AND THE CPB BOARD ENTHUSIASTICALLY ENDORSED NATIONAL CHILDREN AND TELEVISION WEEK, DESIGNATED BY THE CONGRESS FOR THIS WEEK.

THIS SUMMER, THE MACNEIL-LEHRER REPORT WILL BECOME AMERICA'S FIRST HOUR-LONG DAILY NEWS BROADCAST. ALL THINGS CONSIDERED AND MORNING EDITION ARE RECOGNIZED AS THE FINEST NEWS PROGRAMS ON RADIO TODAY.

OUR EDUCATIONAL ACCOMPLISHMENTS IN CHILDREN'S, PUBLIC AFFAIRS, DOCUMENTARIES AND AMERICAN DRAMA PROGRAMS, WOULD BE FAR FEWER WITHOUT OUR MANY FRIENDS. AND PUBLIC BROADCASTING HAS MANY FRIENDS IN ADDITION TO OUR 100 MILLION VIEWERS AND LISTENERS --

- THREE AND A HALF MILLION VIEWERS AND LISTENERS, WHO CONTRIBUTE TO THEIR LOCAL STATIONS.
- ONE HUNDRED AND SEVENTY THOUSAND VOLUNTEERS, WHO WORK FOR THEIR LOCAL STATIONS.
- CORPORATIONS AND FOUNDATIONS THAT UNDERWRITE PROGRAMS.
- STATE AND LOCAL GOVERNMENTS, EDUCATIONAL INSTITUTIONS -- SCHOOLS, COLLEGES, UNIVERSITIES AND LOCAL SCHOOL BOARDS.

BUT OUR MOST IMPORTANT FRIEND HAS BEEN THE CONGRESS. THE CONGRESS ESTABLISHED THIS INSTITUTION WITH THE 1967 ACT. THE CONGRESS HAS FUNDED AND NURTURED PUBLIC BROADCASTING. YOUR SUPPORT IS CRITICAL. FEDERAL FUNDING STIMULATES OUR OTHER FRIENDS TO PROVIDE 80% OF THE TOTAL REVENUES FOR PUBLIC BROADCASTING.

THE CONGRESS HAS RESISTED EFFORTS TO REDUCE THE FINANCIAL BASE OF PUBLIC BROADCASTING TO UNACCEPTABLY LOW LEVELS. WE ARE GRATEFUL FOR THIS STEADFAST SUPPORT.

PUBLIC BROADCASTING FACES SEVERE FEDERAL CUTBACKS. THE EFFECTS OF THOSE REDUCTIONS HAVE ALREADY BEEN FELT.

THE CUTS THAT PUBLIC BROADCASTING HAS ALREADY SUSTAINED -- IN CONSTANT DOLLARS -- IS SIGNIFICANT. IN CONSTANT DOLLARS, THE FEDERAL FUNDING FOR 1984 IS $123 MILLION; IN 1985, $117 MILLION; AND FOR 1986, $110 MILLION. THAT IS, OUR $130 MILLION AUTHORIZATION FOR THESE YEARS REPRESENTS REDUCTIONS OF REAL DOLLARS FOR THOSE FISCAL YEARS OF $59 MILLION, $65 MILLION AND $72 MILLION FROM FISCAL YEAR 1982 LEVELS.

THESE DOLLAR LEVELS JEOPARDIZE OUR ABILITY TO CONTINUE TO PROVIDE SERVICE TO THE AMERICAN PEOPLE.

THE PROGRAMMING ACCOMPLISHMENTS I HAVE JUST MENTIONED -- AND THE EXCELLENCE YOU SEE AND HEAR TODAY -- IS THE RESULT OF COMMITMENTS MADE ONE OR TWO YEARS AGO. NEW TELEVISION PROGRAMS AND SERIES MUST BE PLANNED NOW. BUDGETS AND PRODUCTION REQUIRE A LEAD TIME OF A YEAR OR MORE.

WHEN THE 25% FEDERAL FUNDING CUTBACKS -- FROM $172 MILLION IN FISCAL 1982 TO $130 MILLION IN FISCAL 1984 -- BECAME A REALITY, PUBLIC BROADCASTING STATIONS WERE FORCED TO CUT PROGRAMS AND BROADCAST HOURS.

- LOWER COMMUNITY SERVICE GRANTS HAVE REDUCED THE RESOURCES AVAILABLE TO LOCAL STATIONS TO PURCHASE HIGH-QUALITY NATIONAL PROGRAMMING AND TO PRODUCE LOCAL PROGRAMS FOR THEIR COMMUNITIES.
- IMPORTANT EDUCATIONAL SERIES, SUCH AS 3-2-1 CONTACT, ARE GOING OUT OF PRODUCTION FOR LACK OF FUNDING EVEN AS THE NATIONAL DEMAND FOR MATH AND SCIENCE INSTRUCTION INCREASES.
- SOME PROGRAM SERIES THAT ARE TARGETED AT SPECIFIC AUDIENCES -- LIKE OVER EASY FOR THE ELDERLY -- ARE TOO COSTLY FOR THE NOW FINANCIALLY STRAPPED STATIONS TO PURCHASE.

I AM MOST FAMILIAR WITH THE REDUCTIONS IN WEST VIRGINIA:

- TWENTY-FOUR-HOUR BROADCAST DAYS HAVE BEEN REDUCED TO 16 HOURS FOR THE THREE TV STATIONS AND 18 HOURS PER DAY FOR THE SIX RADIO STATIONS.
- ALL LOCAL PRODUCTION HAS BEEN CUT 50%. SATURDAY AND SUNDAY MORNING TELEVISION PROGRAMMING HAS BEEN ELIMINATED IN

CHARLESTON AND HUNTINGTON, THE STATE'S TWO LARGEST CITIES. THE STATIONS WON'T BE ON THE AIR UNTIL 12 NOON.

- IN MAY, TWO OF THE THREE TV STATIONS WILL NOT GO ON THE AIR UNTIL NOON, PERHAPS EVEN 4 P.M., EACH WEEK DAY.

AS AN AVID SUPPORTER OF WEST VIRGINIA EDUCATIONAL BROADCASTING AUTHORITY, AND WITH THE SUPPORT OF A FRIENDLY GOVERNOR, I ASSURE YOU THAT IF WE COULD IMPROVE THE SITUATION, WE WOULD. THIS SEVERE CURTAILMENT OF SERVICE IS THE DIRECT RESULT OF THE FEDERAL, AND SOME SMALLER STATE REDUCTIONS.

ABOVE ALL, WHAT PUBLIC BROADCASTING NEEDS IS A SECURE BASE OF FEDERAL FUNDING. WHILE A SUPERB PROGRAM LIKE HEADSTART SERVES 300,000 CHILDREN EACH YEAR, SESAME STREET, THE ELECTRIC COMPANY AND 3-2-1 CONTACT REACH 10 MILLION HOMES EACH WEEK. THREE-QUARTERS OF ALL HOUSEHOLDS WITH CHILDREN UNDER THE AGE OF SIX WATCH PUBLIC TV REGULARLY. WE ARE INCREASINGLY AN "INFORMATION-RICH" AND AN "INFORMATION-POOR" SOCIETY.

WE MUST USE THIS COST-EFFICIENT, INSTANTLY ACCESSIBLE MEANS OF PUBLIC RADIO AND PUBLIC TELEVISION TO HELP MILLIONS OF TROUBLED AMERICANS. NOW, MORE THAN EVER, THE CONGRESS MUST HELP US TO PROVIDE ESSENTIAL PUBLIC SERVICE PROGRAMS TO ALL AMERICANS.

THANK YOU.

Biography of Sharon Percy Rockefeller

Sharon Percy Rockefeller of Charleston, West Virginia, has been a member of the Board of Directors of the Corporation for Public Broadcasting since October 1977. In September 1981, she was elected chairman of the Board of Directors and was unanimously reelected in September 1982. She served as vice chairman from September 1980 to September 1981. She also has served as chairman of the Board's Planning and Legislation Committee, and chairman of the Education Committee.

Before her nomination to the CPB Board, she served on the national Board of Directors of the Greater Washington Educational Telecommunications Association, licensee of public stations WETA-TV and WETA-FM in Washington, D.C. She now serves on the West Virginia Educational Broadcasting Authority.

Rockefeller is active in national and community affairs. Some national Boards of Directors on which she also serves include Stanford University, the National Women's Political Caucus, the Women's Campaign Fund and the International Council for the Museum of Modern Art in New York City. She was national co-chair of ERAmerica and serves on the Rockefeller Management Corporation. She is a former Board member for the Day Care and Child Development Council of America and for Operation Crossroads Africa.

She also serves on the Advisory Council of the West Virginia Commission on Women and was a member of the Board of the West Virginia Foundation for the Humanities. In 1968, she founded Mountain Artisans, an antipoverty business that promotes the skills of low-income West Virginia women. In addition, she served as chairman of Sunrise, Inc., Charleston's cultural complex, and on the Community Relations Council of the Charleston Job Corps.

In addition to a B.A. degree in French Literature from Stanford, she holds an honorary Doctor of Humane Letters from Hamilton College, Clinton, N.Y., an honorary Doctor of Laws from the University of Charleston; an honorary Doctor of Public Services from Alderson-Broaddus College, Phillipi, West Virginia; an honorary Doctor of Laws from Beloit College, Beloit, Wisconsin; and an honorary Doctor of Humane Letters, West Liberty State College, West Liberty, West Virginia.

She is married to West Virginia Governor John D. Rockefeller IV and is the daughter of U.S. Senator Charles H. Percy. She is the mother of four children: John, 13; Valerie, 12; Charles, 10; and Justin, 3.

STATMENT OF EDWARD J. PFISTER

Mr. Chairman, members of the Subcommittee, I welcome this opportunity to appear before you on behalf of the Corporation for Public Broadcasting to discuss the Corporation's appropriation for Fiscal Year 1986 and the Administration's rescission request for Fiscal Year 1985.

The views of the Corporation, and of the entire public broadcasting community, are hardly a secret. All of us have repeatedly said that appropriations of at least $130 million in both fiscal years are an absolute necessity if public broadcasting is to be kept in place.

We have taken every opportunity to say that the Administration's proposal to cut $45 million from CPB's already appropriated Fiscal Year 1985 budget, and to reduce that by another $10 million in Fiscal Year 1986, will have a lasting -- and a devastating -- effect on public broadcasting.

Mr. Chairman, that is the message we in public broadcasting have voiced for three years, through five rescission attempts and through several proposals to reduce appropriation levels.

The message simply is this: We believe that the Congress has steadfastly shown in these last three years that it wants public broadcasting to survive. That question, I submit, has been resolved once and for all.

The appropriation for the Corporation for Public Broadcasting has been reduced from $172 million in Fiscal Year 1982 to $137 million this fiscal year. The Congress has appropriated $130 million for Fiscal Years 1984 and 1985, and has authorized $130 million for Fiscal Year 1986.

The budget reduction from $172 million to $137 million was accepted by public broadcasting in a time in which the economy called for belt-tightening.

It was not an easy cut to live with, but the public broadcasting community did cope. We cut staff, we trimmed programs, we cut corners where we could. We at CPB did manage to sustain a relatively stable level of funding for national television and radio programming. And Community Service Grants to the stations -- which represent more than 60 percent of the federal appropriations we receive -- were reduced proportionately to the reduction in our appropriations.

There were hardships as a result of that $35 million cut in federal funding from Fiscal Year 1982 to 1983. By detailing those hardships, I can demonstrate how debilitating further cuts would be in the next few years.

But first, let me discuss the Administration's proposals to cut the Corporation for Public Broadcasting budget to $85 million in 1985 and $75 million in 1986.

The impact of these reductions would destroy public broadcasting as we know it. The concept of stable and secure federal funding, as a base upon which stations could lever additional funds, would virtually disappear.

Some public television and radio stations unquestionably would fail. Faced with further loss of their already-reduced federal funding, some stations would pull the plug.

The primary effect of the Administration's proposed rescission in Fiscal Year 1985 and authorization recommendation in Fiscal Year 1986 would be an immediate retreat to mediocrity.

Programs would be cut and hours of service trimmed. Local programming initiatives would disappear.

In short, the level of excellence that public broadcasting has achieved since it was founded in 1967, the excellence that the American people have come to expect, would no longer exist. Public broadcasting -- what remained of it -- would be a poor imitation of what it is now.

We see no viable alternatives to this situation. The sources of revenue for public broadcasting, while diverse, remain limited. Even a broad-scale move towards commercialization, fraught as it is with the danger of subverting the character of public broadcasting, would not replace lost federal revenues, indeed, would not enable us to keep pace with the cost of inflation.

Let me be more specific about the effects the budget cuts now in place have had.

The 26 percent reduction to our current $137 million appropriation level from last year's level of $172 million has had these effects --

- Smaller stations in the United States are even now having difficulty purchasing major programs.

- Community Service Grants were reduced 26 percent for television stations, from $86 million to $68.5 million, and 12 percent for radio stations, from $18.8 million to $16.8 million.

- Specialized programs -- those produced for the aged and health and education issues -- are being removed.

- National television programming dollars were reduced 36 percent, from $24.8 million to $18.2 million, and national radio programming funding from CPB was reduced 26 percent, from $15.3 million to $12.1 million.

- CPB's support for expanding public broadcasting to unserved audiences has been virtually eliminated, as has a special program to put in place, where feasible, minority ownership of public broadcasting stations.

- CPB's Human Resources Development programs, which include training programs for minorities and women, have been drastically reduced.

- CPB's research into technological improvements, which could improve the public broadcast signal and enhance public broadcasting's ability to reach the widest audience, has been reduced more than 40 percent.

In CPB's Fiscal Year 1984 budget, which our Board of Directors adopted just two weeks ago, we were forced to drop a $5 million challenge grant program, in operation this fiscal year, to encourage nonfederal financial support. As well, we have had to eliminate support for the Station Independence Project, which would develop audiences during fund-raising periods.

The results of these cuts have been unfortunate, but they have been necessary. Under current authorizing legislation, CPB returns 90 percent of its federal dollars to the stations in the form of Community Service Grants and national programming. And six percent more is mandated for system fixed expenses such as music royalty fees, television interconnection, and retiring the debt on the satellite system. That leaves four percent of discretionary spending for CPB -- four percent of a constantly shrinking dollar total.

Mr. Chairman, public broadcasting is managing, but barely managing, on an appropriation of $137 million. Next year's budget appropriation will require further reductions. You can see what public broadcasting has lost and is losing with these reductions.

Further reductions, as the Administation has proposed, to $85 million in Fiscal Year 1985 and $75 million in Fiscal 1986, would simply devastate public broadcasting as we now know it.

Let me emphasize. It will simply not be possible for public broadcasting to sustain itself as an institution without a minimum federal appropriation commitment of $130 million -- in fact, we should have a little more.

Thank you for the opportunity to appear before you today.

BIOGRAPHY OF EDWARD J. PFISTER

Edward J. Pfister, former president and general manager of public stations KERA-TV/FM, Dallas/Fort Worth, was elected president of the Corporation for Public Broadcasting (CPB) in September 1981, during the annual meeting of the CPB Board of Directors.

Pfister had been with the Public Communications Foundation for North Texas, licensee of the Dallas stations, since 1976. Prior to joining KERA-TV/FM, Pfister served as executive assistant to Ralph Rogers, chairman of the Board of Directors of the Public Broadcasting Service (PBS), Washington, D.C., from 1973 to 1975, and was responsible for a variety of national policy and administrative functions with particular emphasis on public participation in public broadcasting.

Pfister also served as director of the PBS Chairmen's Coordinating Committee from 1972 to 1973. He was involved in coordinating staff and board-level negotiations between the Corporation for Public Broadcasting and the various national public television agencies.

He also served as director of public relations and information services for the National Association of Educational Broadcasters (NAEB) in Washington, D.C., from 1970 to 1972, and from 1965 to 1970 was director of information services and assistant to the executive director of the National Instructional Television Center (now the Agency for Instructional Television) in Bloomington, Indiana. Pfister was manager of information services and a writer and editor for the National Educational Television and Radio Center (NET) in New York City from 1960 to 1965.

Pfister has served on task forces on minority issues and public participation in public broadcasting for CPB and has participated in international delegations for coproduction and the exchange of public broadcasting programming and information. He also has worked on various PBS task forces and study groups, notably the Task Force on Interconnection, and has served on the PBS Finance Committee. At the time of his election as CPB president, Pfister was chairman of the NAEB Public Television Managers' Council and was immediate past chairman of the Southern Educational Communications Association (SECA).

A former teacher and newspaperman, Pfister taught English at Valley Central High School, Walden, New York, and English and Latin at Brownson School, Hackensack, New Jersey, and was a political reporter for the Reno Evening

Gazette and a general assignment reporter for The Record in Hackensack.

A native of New York City, Pfister holds an M.A. in Professional Education from Seton Hall University, Orange, New Jersey, and a B.A. in Literature and Philosophy from St. Peter's College, Jersey City.

STATEMENT OF MRS. ROCKEFELLLER

Mr. PFISTER. Thank you, Senator.

I should like Mrs. Rockefeller to proceed first.

Mrs. ROCKEFELLER. Thank you very much, Senator Weicker, Senator Byrd, Senator Burdick.

The only mistake my father ever made in his life was leaving this committee.

Senator WEICKER. The only one?

Senator PERCY. This meeting is being recorded, isn't it? I'll play that back. [Laughter.]

Mrs. ROCKEFELLER. We are pleased you are the new Chairman.

We believe that public broadcasting has set a standard of excellence for all of broadcasting in the United States. 100 million Americans, half our population, watch public television every single week and 9 million Americans listen to public radio at least once a week.

Our highest priority at the Corporation for Public Broadcasting is children's programing. This is due to the fact that the commercial networks have all but abandoned children's programing except for cartoons, and I wouldn't characterize them as exactly high quality TV.

This summer we have started a new initiative. The "MacNeil-Lehrer Report" will be on for 1 hour every evening. We think it is high time that our people be able to understand issues in depth on a daily basis. We are pleased that we are setting the pace.

"All Things Considered" and "Morning Edition," which are on public radio in the morning and in the evening, are the finest news broadcasts on American radio today.

We enjoy the support of many friends, and that is because our programs are of high quality and intelligence. We will not lower these standards at all.

We have 3½ million Americans who contribute to their public stations every single week; 170,000 volunteers go to work at their stations every single week; corporations and foundations underwrite programs; State and local governments, colleges and school boards all support public broadcasting.

But there is no question at all that our most important friend over the years has been the Congress. The Congress established this institution in 1967. The Congress has funded and nurtured public broadcasting. So your support is absolutely critical.

Now why do I say this in these times of woe where all the testimony this morning and all the testimony you will hear this year cite a desperate need for money? I say it because the Federal funding stimulates all of the other friends that I talked about to provide 80 percent of the revenues of public broadcasting.

Recently the Congress also resisted the efforts of those who would reduce our appropriations by 50 percent, and so we want to express our sincere gratitude for your steadfast support.

You know we have already sustained a reduction of 25 percent. Our authorization and appropriation at the moment is $130 million for the next 3 years. That would mean that we will be losing a total of $196 million in that time period in real or constant dollars.

The programing excellence that we see and hear today is the result of Federal commitments that were made 1 and 2 years ago. We are now only 6 months into the first year of the cuts. Therefore, we won't see on the screen the results of the cuts until perhaps next year. But already some programs have been cut and hours of broadcast services have been reduced. The community service grants to stations have been cut. It is very difficult for the stations to buy high quality national programing, much less to produce their own local programing.

We have all heard a lot about the incredible national need now for math and science attention. You have just passed a bill to help teach the children of America, and, yes, the adults as well. In the fields of math and science we have had to stop the production of a program that is called "3–2–1 Contact." This is for 8- to 12-year-old children so they don't lose their interest in math and science because at that tender age they can't keep up even in third, fourth, and fifth grades.

We have had to cut a program called "Over Easy." This was geared toward senior citizens and the elderly. An astonishing fact to me, which I learned from Newton Minnow from Chicago, is that one-half of all of the human beings who ever have achieved the age of 65 on our Earth are alive today. And yet the one program that we had that would serve their needs had to go off the air because the stations did not have the money to buy it again for next year.

Of all the States, I am most familiar with the situation in West Virginia.

We have had 24-hour television service cut to 16 hours a day at all our three stations; our six radio stations have cut their broadcast services to 18 hours a day.

Saturday and Sunday morning television programing in Charleston and Huntington, which are our two largest cities, has had to go off the air. The stations cannot afford to come on the air until noon.

We face a real crisis in May. As our fiscal year runs out, they will not be able to go on the air until noon every single week day, or perhaps even 4 o'clock in the afternoon if our economic situation in West Virginia does not improve.

All of our local production, Senator Byrd, has been cut 50 percent.

I am an avid supporter of public broadcasting in my own State. I serve on the statewide authority, and we do enjoy the support of a very friendly Governor. The administration has done what it can, I assure you, to make sure that we have not slid more precipitously than we would have to otherwise.

If we could do anything to improve this situation we would. But we can't, because it takes money and we don't have it. The Federal reductions have hurt us badly, and there have been some smaller State reductions. But it is really the Federal reduction which pushed us over the edge, so to speak.

I would like to bring your attention to one last comparison before I close. Let us look at a project like Head Start, one of the Great Society programs which has had universal support even from this administration—everyone believes Head Start does a wonderful job. But Head Start serves only 300,000 children. We have three television programs, "Sesame Street," "The Electric Company," and "3-2-1 Contact" which your grandchildren and children watch. These programs come into 10 million homes every single week. If you compare the 10 million homes to the 300,000, I assure you we are a cost efficient way of delivering education and information to the children and adults of the United States.

Thank you very much for allowing me the privilege of speaking this morning. I would be more than happy to answer any questions you may have later.

Senator WEICKER. Sharon, thank you very much.

I think what I will do is give the honors over to my right here, to that Senator near perfection—only one mistake in his long and illustrious career. Better than any of the rest of us at this table.

Senator Percy.

Senator PERCY. I want to thank you very much for that courtesy.

I mainly wanted to be here today to indicate my own feelings that this committee that I served on has been the anchor of one of the most important things that I think we have ever embarked on. Were it not for this committee we would have just gone the way—with all due respect to David Stockman, he has an overall job. He's looked at thousands of programs. And we have met with him, Sharon and myself together, early in his career. In Government Affairs we have oversight over OMB. And we had to reason with him. But still the knife came down and this committee stood the gaff and the presssure and put the priorities right.

My own interest, if I can be personal for a moment, goes back in this field many years when in business with Peter Peterson as our director of sales at the time—I headed the company—we decided that we would try an experiment. We couldn't out-entertain Eastman Kodak. Therefore we approached CBS to determine whether or not we couldn't for the first time put public affairs shows on prime nighttime rather than the 2 a.m. and 3 a.m. slot or 7 o'clock Sunday morning slots they had.

We started "CBS Reports." We paid all the time costs, half the production costs. They preempted the prime time.

It became so successful that IBM and Xerox took it away from us and outbid us.

Then we started "ABC Closeup," and that became a huge success.

We proved that people yearned for and wanted good programing.

That led into, then, my position on the Ford Foundation board where we started educational television, we called it, and started to get the charter.

In my first year in the Senate, 1967, the laws were written setting up Public Broadcasting.

Our philosophy at that time—Senator Byrd would remember, and certainly his distinguished colleague, Senator Burdick. We couldn't do the whole job at the Federal level, but we would reach out, we would provide the money. Ford Foundation provided all the money for the beginning stations. But the programing had to come from both the public and the institutions in the community plus seed money from the Federal Government.

That seed money has gradually reduced, for at this point for every 21 cents put in by the Federal Government it is matched 5 to 1 by the private sector. Foundations and the public have poured forth their support.

That's the extent of support they offered. But if we keep sliding in accordance with the OMB budgets we will really cut deep. There is a limit to what they can do.

How many Annenbergs do you find that step up and give $150 million?

And I commend Mrs. Rockefeller for the way she has gone. Senator Byrd and I have discussed many times the way she has gone out, the Chairman of this board, as fund raiser, pounding the pavement, appearing before the McCarthy Foundation in Chicago to get money from them.

The Annenberg Foundation has made possible some of the most dramatic programs ever placed on television. I learned more about the first Constitution watching their first program than I had ever known in my whole life before that. In 1½ hours they had Supreme Court justices, they had everyone on there to really have this country understand the vital nature of the first Constitution and what it means.

We all recognize the public needs that kind of background. And certainly the fact that in the last 3 years more people have seen and witnessed close up—they can even hear it, where 400 years ago you couldn't hear the stage—Shakespeare. More people in 3 years have seen Shakespeare than in 400. This is one of the greatest assets this country has.

I love Head Start. Sharon and I started a Head Start program 2 years before the Johnson administration started them in Chicago when I lost the governorship. We knew the need.

But how many hundreds of thousands of children can be covered? Most of them are back home. They turn the tube on and what do they see? Literally trash. Things that not only don't educate them, but distort their thinking, offset their priorities. And the relevance between television and violence is very great indeed in our society.

We have a frightening condition, unless there is quality programing that someone can adhere to and sets a yardstick for the commercial networks to be judged by.

The number of programs that public broadcasting has lost, have been stolen away and taken by the commercial broadcastings—that's a tribute. It's not a loss. They then go to someplace else in public broadcasting and do another thing.

The support this committee had provided, the $130 million, is just the absolute base figure if you look at what CBS, NBC, and ABC are doing and skyrocketing their budget, competing for audiences the way you have to compete for audiences. It literally is a pittance matched 5 to 1 by the public because of their yearning for what you are offering.

I commend you for what you have done. But I wanted to commend mainly this committee which through the years has seen the value, and I don't know anything that could be more cost effective.

So I want to declare on the record, as Senator Dole has. I have no conflict of interest. I have no conflict, but plenty of interest. I'm very, very proud of the partnership that has been developed between Ed Pfister and Sharon Rockefeller. They make a great team, a great management effort, and I think the Federal Government and the American people can be very proud of this. Certainly I have heard from abroad, everyone that comes to this country, that's what they watch. I would recommend to everyone in this room, if you really want to hear good programing, turn public radio on when you drive down to work and turn it on when you drive home. I do exclusively, almost to any other program. It's more informative than any other program on the radio.

Thank you.

Senator WEICKER. Thank you very much, Senator Percy.

I think you handled that very well, Sharon. [Laughter.]

Senator Byrd.

Senator BYRD. Mr. Chairman, I could only endorse enthusiastically what Senator Percy has just said. I compliment Sharon Rockefeller on her testimony. She ardently believes in public broadcasting; she is atomic energy in the flesh; and she is so energetic in her efforts to promote public broadcasting. I am very supportive of the same and will of course be very supportive for appropriations for public broadcasting.

I scarcely watch TV except for the news and public broadcasting. There is where I have found some excellent programs, excellent actors. I commend you, and you can always count on my support.

Thank you very much.

Mrs. ROCKEFELLER. Thank you.

Senator WEICKER. Thank you very much, Senator Byrd.

Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman.

I think I have as much vested interest in public television as anyone, having more children than anyone in the Senate. [Laughter.]

They just don't seem to ever go away. You get rid of two and then I gain in-laws and grandchildren.

But I wholeheartedly support what Senator Percy just said about the nature of the programing and the comparison that he made. I don't know if we will ever have any way in this free and open society to get rid of some of the broadcasting that is, in my opinion, significantly harmful to our young people. But one way is to have some good competition, and I think they give that.

I just don't think we can afford to cut below the minimum that we committed. You just can't manage television and radio as they are trying to do in this country with diversity, without any ability to plan. If we told them they are going to have a minimum and we reduce it substantially—I just don't think we can jump back and forth. It's almost impossible for them to maintain any kind of consistency and any kind of management.

I have a very brief statement that I would like to make a part of the record. I've had my three public broadcasting entities in New Mexico analyze what a reduction would do. They have detailed it in letters and I have attached it for the record. I think it, in a very microway points up the problems we are going to have across the country if we go below the minimum we have committed.

I would like to make those three analyses part of the record.

[The information follows:]

LETTER FROM JAMES A. DRYDEN, GENERAL MANAGER, KRWG-TV, LAS CRUCES, N. MEX.

January 7, 1983

The Honorable Pete Domenici
United States Senate
4239 Dirksen Senate Ofc. Bldg.
Washington, D.C. 20510

Dear Senator Domenici:

Thank you for the nice chat we had in your office on January 14. It is gratifying to know you are concerned about the negative impact of a recision on New Mexico's public television stations. I hope the following will lend support to the argument that our stations have taken their fair share of federal cuts and should be spared a further reduction for FY1984.

When our KRWG-TV's Community Service Grants decreased 22% (from $295,701 in FY82 to $229,050 in FY83), we were forced to eliminate some local programing - a live weekly public affairs half-hour which allowed viewers to question experts in the studio about important community issues. To help recoup this loss of over $66,000 we have accelerated our fund-raising activities. (A November, 1982, award from PBS recognized the station's success in this area.) But there are limited opportunities to develop new sources of income in a small market like Las Cruces and surrounding towns. The saturation point may be near.

Our 1984 CSG is projected by CPB at $201,481. If the $45M recision is approved, our CSG would shrink to $123,416, for an additional loss of $105,634 next year. The effect on KRWG-TV would be devastating.

1. First, we would have to cease all local productions except our nightly newscast. Weekly programs to be terminated would include the popular community events show, Que Pasa, in which Dolores Lenko spotlights people and events on location throughout southern New Mexico; the Ricardo Munoz Show, a bilingual variety entertainment half-hour; Southwest Reports, a documentary magazine about key issues in our area. The newscast itself probably would be scaled down, with less emphasis on video coverage from the field.

2. Important but costly national programs such as American Playhouse, Sesame Street, and Frontline would be dropped from the schedule. (It is well-produced national programing that is primarily responsible for building public television's large and loyal audience, viewers who help support the stations with their dollars.)

3. Between one and three broadcast hours would have to be cut from the daily schedule - possibly more during the weekends.

As you can see, the trickle-down impact of the proposed recision on our operation would be wholesale, effectively destroying the local program service which we believe is so important (but, unfortunately, the most costly to provide). The $130 million floor for FY1984 represents a survival level of funding for public broadcasters; to undermine it further will irreparably damage the system that Congresses over the past decade and more have helped to build.

All of us at KRWG-TV will appreciate your support for holding the line.

Sincerely,

Jim

James A. Dryden
General Manager

STATEMENT OF JON H. COOPER, DIRECTOR OF BROADCASTING, KNME

I appreciate the opportunity to comment on the effect further reductions in federal funds would have on KNME.

KNME operates on a funding base of state/local appropriation (52%), community fundraising (30%), and federal appropriation (18%). Change in any one of these sources can affect the other two.

In the past several years, the non-federal support has risen rapidly because we were able to show that more non-federal funds generated, resulted in more federal dollars. It has been a good incentive for state/local and community sources to maintain support of the station. While the federal portion of our support represents only 18%, it truly is the catalyst that makes the rest happen.

It is important for another reason as well. Much of the state/local and community funds go to operate the basic station service. The Community Service Grant (CSG) (federal funds) are unrestricted and can be used to support activities we otherwise could not accomplish. The CSG we are using this current year, for instance, is used for General Station upgrade (4%), Development (34%), Programming/Production (33%) and Engineering (29%). In the case of Development and Programming/Production, the CSG supports a large part of our ability to raise community funds, acquire programming, and produce local programs.

If a reduction from $130 million to $85 million were made in federal funds in 1985, we would lose approximately $150,000. Should this occur, we would attempt to retain CSG support for the Development area since our ability to raise community funds would have to be strengthened, and cut back on the CSG support to program acquisition and local production.

We project we would spend approximately $280,000 on program acquisition in 1985 which would have to be reduced by 20%. Our primary local production is our nightly public affairs series which would be budgeted at approximately $400,000 in 1985. This would most likely have to be cut by approximately 25%.

The result would be substantially less, acquired programming and probably the nightly series would be reduced to a weekly program plus a few specials.

KNME's success in community fundraising rests on our ability to offer high quality national programs and local production that addresses community problems. Cutting these two areas would have a definite effect on our ability to generate local contributions. In other words, by cutting federal funds Congress would in effect be reducing our potential for local funds as well.

When reductions were first proposed several years ago, we argued against the cuts, but accepted the fact that the federal budget needed to be curtailed and began to adjust to smaller CSG, based on a $130 million appropriation . To compensate, we increased our community fundraising efforts. Although difficult, we are making strides to counter much of the federal cut (25%) that has already taken place.

To further reduce the federal support (below $130 million) means that we would rapidly lose ground for it is unlikely that community funds can be found to replace that loss. Should we be faced with an $85 million federal appropriation, we will have suffered a 63% drop in federal support within three years. That reduction plus inflationary costs means we will erase much of what KNME has accomplished within the last decade.

I ask that the value of the service we provide to Northern New Mexico be considered and efforts to reduce federal support below $130 million be resisted.

I am enclosing copies of a statement I made last spring on S.720 and a copy of a position paper drafted by the New Mexico Stations in February 1981. Both address the problems a recision would cause. Although the statements were made earlier, the basic points are still valid. I believe you already have a spread sheet showing the projected CSG's which Wayne Bundy prepared.

I look forward to meeting you next week and the opportunity to discuss further the critical nature of reduction of federal funds.

Sincerely,

John H. Cooper
Director of Broadcasting

NEW MEXICO

COMMUNITY SERVICE GRANT PROJECTIONS

	CPB Approp. FY 83 $137 M	CPB Approp. FY 84 $130 M	CPB Approp. FY 85 $130 M	Admin. Request FY 85 $85 M	CPB Request FY 86 $130 M	Admin. Request FY 86 $75 M
Television						
KNME-Albuquerque	$324,606	$291,971	$278,986	$182,414	$266,826	$153,937
KRWG-Las Cruces	229,050	210,870	205,630	134,450	200,723	115,801
KENW-Portales	245,506	224,837	218,263	142,710	212,107	122,369
Radio						
KUNM-FM, Albuquerque	31,909	33,992	30,603	19,960	27,750	15,965
KRWG-FM, Las Cruces	35,145	37,313	33,529	21,867	30,298	17,429
KENW-FM, Portales	14,342	26,695	24,174	15,771	22,152	12,748
KTDB-FM, Ramah	36,152	38,346	34,438	22,460	31,090	17,885
TOTALS:	$916,710	$864,024	$825,623	$439,632	$790,946	$456,134

TELEVISION PROGRAM RIGHTS

Senator **Domenici**. Thank you very much, Mr. Chairman.

Senator **Weicker**. Thank you very much, Senator Domenici. It's always good to lock in the Chairman of the Budget Committee. [Laughter.]

Senator Burdick.

Senator **Burdick**. You made a good case. Enough said.

Mrs. **Rockefeller**. Thank you.

Senator **Weicker**. Just a couple of questions. This occurred to me the other day when I was watching one of the operas being performed on public television. Does public television have the rights to those performances? And either with those or other performances that you broadcast have you ever thought about the idea of putting those on tape and selling them to the public? Are you in a position to do that legally?

Mr. **Pfister**. Not only do we do it when we own the rights, Senator, but we have been doing it for some time. As the quality of our programs has improved we've had more sales on cassettes and in other forms—foreign broadcast sales and that sort of thing. But for each program the rights are different. Most of the major programing we do is so expensive, our money is usually only part of the total program cost. The rights ordinarily are distributed, after performance rights are paid, according to the cash input.

But we do make programs available on cassettes.

Senator **Weicker**. When I go to the store to buy film and one thing and another for my Beta Max it just occurred to me that would be a very sound source of income for the Corporation for Public Broadcasting. For example, on the opera series, which has been outstanding over the years, do you have the rights to that? Or some of the series that you've had?

Mr. **Pfister**. Ordinarily performance programs are the hardest to obtain rights for past the initial broadcast cycle. But public broadcasting is in an extraordinary position in terms of its relationship with the rights holders for broadcast of material. When we make our deals and negotiate contracts, ordinarily we get four plays of a program over a 3-year period. That's a remarkable commitment to us from the rights holders.

When we do have the rights and can extend the use of the broadcast, we do make them available. Increasingly I think you will begin to see some of these programs available for use on Beta Max.

TELEVISION PROGRAM GUIDES

Senator **Weicker**. To come to the reverse of that, though, I look upon that as something that could generate income for CPB. On the other hand, I must confess I still have yet to really understand the purpose of this magazine that you people have—Dial. I consider that well covered by the private sector in terms of every newspaper and its TV magazine, the TV Guide. Why is the Corporation for Public Broadcasting getting into that kind of a feature?

Mr. **Pfister**. Well, Senator, when an institution builds an expectation among its audiences very, very carefully and suddenly the funding on which that whole increase in expectation and in service depends begins to be cut drastically and quickly, public broadcasters, like any other institution, begin to seek ways to fill those gaps. One of the ways in which several members of the public television family thought they could fill the gap was by the publication of a magazine which would enable them not only to keep their membership, but to increase the membership through a guide to the programing on that station. It hasn't worked very well. And frankly, I think many of our commercial ventures in an effort to fill the financial gap and maintain services are going to be doomed to the same kind of failure.

Mrs. ROCKEFELLER. Senator Weicker, could I just point out that the Corporation for Public Broadcasting had nothing to do with the Dial magazine. That was a project of several stations. We had nothing to do with it.

Senator WEICKER. If I am not mistaken, aren't there other stations that also have magazines of a similar nature?

Mr. PFISTER. Public television stations principally and public radio stations increasingly are offering program guides as a way to retain their members' interests. There has never been anything quite as large or as enterprising as the Dial, and the Dial has proved, I think, not to be a workable project for those stations involved.

CPB FISCAL YEAR 1986 APPROPRIATION AND FISCAL YEAR 1985 RESCISSION REQUEST

Senator WEICKER. The $75 million requested by OMB—how did they arrive at that figure? Do you happen to know?

Mr. PFISTER. I think, Senator, that they are arriving at these figures on an annual basis to ultimately eliminate Federal participation in the public broadcasting institution.

Senator WEICKER. We're talking about 2 years now, aren't we?

Mr. PFISTER. We are talking about our 1986 appropriation and a rescission for 1985 requested by the administration.

Senator WEICKER. What is the position of the Corporation?

Mr. PFISTER. The position of the Corporation is what we told this committee last year, that we simply cannot be cut any further. We need the $130 million already authorized. Anything less would be devastating to us.

So we are asking you today to approve the $130 million for fiscal year 1986 and to turn aside the administration's rescission request for fiscal year 1985.

Senator WEICKER. Certainly insofar as this chairman is concerned, and you've heard the remarks of my colleagues, I think the chances of that being the position of the Senate are extremely good.

Mr. PFISTER. We are very appreciative.

Senator WEICKER. I have other questions which will be submitted for response to the record.

Again I would like to say I think you are doing an outstanding job, both as individuals and the Corporation as a whole, and I think that manifests itself on the television screen in terms of competition.

I'm not so sure that it really has stimulated much in terms of the networks, because I still don't see anything there that certainly I deem to be of great value to my children and indeed myself, with the exception of some sports events. Competition I'm not sure is the right word. It's the contribution to the culture of this Nation. I think you are just an essential resource, and indeed the only one in terms of television broadcasting. I think you do a good job. We are going to have to put our shoulders behind the wheel for you.

Mr. PFISTER. Senator, might I introduce just for the record, so that it is done formally and officially, the newest member of our team. We are very proud of her. I would like the record to note our new vice chairman, Sonia Landau.

Senator WEICKER. I've known Sonia for a long time.

Mr. PFISTER. I'm sorry I neglected to do that right at the top. She is an important part of our team.

Senator WEICKER. We have six congressional districts in Connecticut. So Toby Moffett and I had six debates, one in each of the congressional districts, all of which was handled by public broadcasting. It was the first time this had been done in Connecticut, and it was outstanding.

I'll tell you a funny story on that, though, of how the best laid plans of mice and men can go astray. I sat down with my campaign manager and we had all these requests for televised debates. We figured the best way to handle that affair would be to let public broadcasting handle it. But then we got too tricky for ourselves. We figured, well, let's make sure that it's on Monday night. Nobody would be watching the debates because everybody would be watching the football game. Only one thing wrong. We hadn't counted on a football strike. [Laughter.]

Instead of no one, everybody was watching.

Somebody said that between Toby and myself after the third debate it was better than Monday night football. [Laughter.]

What I am saying is this is typical of the contribution that public broadcasting makes. It was handled superbly and professionally. I think most people agree that the race between Congressman Moffett and myself was an issues oriented race. It wasn't a mudslinger or anything of that nature. Those issues got out and were discussed in a very spirited way.

I just think this is an invaluable resource to the Nation.

EFFECT OF NEW TECHNOLOGIES ON PUBLIC BROADCASTING

Mrs. ROCKEFELLER. Senator Weicker, could I add one last comment. Some people have said during the last 2 years that cable and the abundance of new technologies may wipe out the need for public broadcasting. We believe that cable is actually helping us, because it finally overcomes the UHF handicap that affects two-thirds of our stations. The signal comes in just as clearly as CBS or any other station. I don't want to speak about the networks this morning. It's not our place. I don't have much hope for the fact that they might improve. There have been two attempted cable systems which classified themselves as so-called quality or cultural channels—CBS Cable, and then the Rockefeller Center RCA channel, which is called the entertainment channel; $40 million was put into each one of those. They both folded in less than a year. I think it leaves only us, and we accept the burden. We will continue to carry out our responsibilities.

We thank you for your support, but we're going to need your support, if we are to retain our standards.

Russell Baker probably has the best final word on cable. He says that it threatens to divide among 180 channels material that is already inadequate for 13.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Well, I thank you all very much. It's been very enlightening. We enjoyed having you with us. Now let's see if we can go ahead and carry the ball.

Mr. PFISTER. Thank you, Senator, very much.

Mrs. ROCKEFELLER. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CPB FUNDING

Question: This will be your third year of level funding at $130 million. How have you coped with inflationary impact over this period?

Answer: The three year period of level funding does not begin until October 1983 and runs through September 30, 1986. In anticipation of this funding level, CPB has already put in place a corporate and administrative structure which should remain essentially intact over this three-year period. Both at the national and local levels, with just modest inflation, there will inevitably be some additional belt tightening and curtailment of service to compensate for reduced purchasing power, particularly the cost of operational program purchases. Increased demand for services due to system growth will put a further strain on resources. If CPB has to maintain a $130 million funding level through fiscal 1986, we will have suffered a 50 percent decrease in Federal funding, adjusted for inflation and system growth.

FY 1985 PROPOSED RESCISSION

Question: The Administration has also requested a rescission of $45 million from the $130 million appropriated for FY 1985. What impact would this rescission have if Congress agrees to the President's request?

Answer: In short, the impact of the President's proposed rescission would devastate public broadcasting. This amounts to a 35 percent decrease from the currently appropriated levels. Given inflation and system growth, grants to stations would drop by almost 50 pecent. Reductions in national programming and other services would decrease by one third. The result would most likely be fewer stations on the air, fewer hours of programming and less financial support from viewers and listeners, creating a downward spiral.

CPB FUNDING FOR FY 1984, 1985 AND 1986

Question: During last year's testimony the Corporation for Public Broadcasting urged that we not approve the President's request for rescission because "both the principle and actual fact of advanced year funding — would be destroyed."

Congressman John D. Dingell, Chairman of the House Committee on Energy and Commerce has written urging my support for increases in the Corporation's budget for fiscal years 1984, 1985, for which funds have already been appropriated, and for 1986, for which we will appropriate funds in FY 1984.

Would not this action also destroy the principle, as well as actual fact of advanced year funding?

Answer: As you point out in your question, funds for CPB at the maximum amount authorized - $130 million- have already been appropriated for fiscal years 1984 and 1985. The additional funds proposed by Mr. Dingell for fiscal years 1984, 1985 and 1986, based on an inflation factor of 5.6 percent using fiscal year 1983's $137 million appropriation as a base, would not disturb the plans television and radio stations have relied on since both these allocations were set in law last year.

In fact, the 5.6 percent inflation proposal would greatly enhance all of public broadcasting's ability to restore some of the plans and projects that were curtailed two years ago when CPB's apppropriation was cut by 25 percent, from $172 million to $137 million. So, while some might view reauthorizing CPB at adjusted levels for inflation for the three years in question as harmful to advanced-year funding, we believe a case can be made that these additional funds could, in fact, help restore the principle of advanced-year funding. These funds would also provide us with the ability to perform over the next three years at current levels of service, while at the same time helping us restore some of our plans that had to be adandoned two years ago.

Question: Are you requesting that the authorizing committees increase your authorized spending level to make room for these increases proposed by Congressman Dingell?

Answer: Yes, we are asking both the House and Senate Commerce Committees to increase our fiscal year 1984, 1985 and 1986 authorizations by 5.6 percent.

Question: Would these requested additions allow you to maintain your current level of services for the three years in question?

Answer: The requested additions would allow us at least to compensate for lost purchasing power due to inflation over the 1984-1986 time period. As with all "current services" approaches, it does not take into account growth in demand for the service, but merely prices our current demand and current service over the projected period.

Question: If Congress did authorize and appropriate these additional funds, how would they be used?

Answer: As these increased funds become available beginning in 1984, allocation would be subject to the formula contained in the 1981 Amendments Act. Ninety percent would be allocated to television and radio station grants and national programming, six percent for system fixed costs (interconnection, music royalty fees and satellite financing), and four percent for CPB's system support expenses and administrative costs.

Question: I am certain that the Federal contribution to your budget has caused you to curtail some of your important plans and to reorder your priorities. I am also certain that you know that budgetary limitations in Education, Health, and Human Services have caused some widespread effects in those agencies as well.

Where do you think the Corporation for Public Broadcasting should stand on Congress's list of priorities?

Answer: Congress embarked on a monumental task in 1967 with the passage of the Public Broadcasting Act of 1967. During the past 15 years, Congress has provided the resources necessary to make public broadcasting one of the most remarkable institutions in American life. Not only does public radio and television reach over 100 million Americans weekly with their broad range of services, but we believe they perform those services in ways that are most cost effective compared to other social services. Public broadcasting has become an American institution as invaluable as our museums, libraries, schools and theatres. As a result, the American people have come to expect public broadcasting to meet certain high standards of service now and into the future. Further, we believe our radio and television programming remains the primary source for the American people to receive the kinds of programming they now look to us to provide.

We believe public broadcasting can and does enhance and complement many of the services provided in the fields of education, health, and human services.

Question: What financial adjustments have you had to make due to the limitation of Federal funding and how have these adjustments affected your mandate as described in last year's hearings?

Answer: CPB has made or plans to make the following budgetary adjustments in light of reduced Federal funding:

- CPB's support for national advertising of programs, done on a cooperative basis with the stations, has been reduced in 1983 and will be eliminated in the next fiscal year.
- CPB's support for special programs purchased for fund raising weeks has also been reduced and will be terminated in FY 1984.

- Support for increasing public radio coverage has been terminated.
- CPB's support for the interconnection of new television stations has been terminated.
- CPB has sharply reduced its support for training and other human resource efforts, and for planning and policy development efforts, particularly audience measurement.
- CPB has sharply reduced its own administrative budget through a one-third reduction in personnel and a curtailment of other administrative expenses such as travel and consultants.

ALTERNATIVE FINANCING FOR PUBLIC BROADCASTING

Question: You indicated last year that the Corporation was studying alternative methods of financing as have the National Association of Broadcasters and the FCC. Can you briefly review the findings for us?

Answer: Last July, the Temporary Commission on Alternative Financing for Public Telecommunications submitted its report to the Congress. The Commission found that, although some of the financing alternatives studied have the potential to produce supplemental revenue for public broadcasting, they are unlikely to replace the role of Federal tax-based support within the foreseeable future. The Commission could not identify an alternative that would be preferable to traditional Federal funding to preserve the public broadcasting system. Specifically the Commission outlined the following recommendations:

Recommendations for Congress

- Ensure that sustaining or bridging Federal funds are appropriated through the current authorization period and are continued until or unless adequate alternative financing is found.
- Study repeal of the unrelated business income refund provisions of the Public Broadcasting Amendments Act of 1981.
- Review carefully the effects of the 1981 Economic Rcovery Tax Act and take steps necessary to increase tax incentives that reinforce individual and corporate incentives to contribute.

Recommendations for the Federal Communications Commission

- Authorize commercial and nonbroadcast, nonaural use of SCA subchannels by public radio stations, and enlarge the baseband.
- Examine restrictions governing commercial use of satellite transponder and ground segment by public radio and television licensees, and foster, not inhibit, non-interfering use of excess capacity.
- Move expeditiously to resolve UHF comparability problems.
- Ensure that public television stations are authorized to offer teletext services without restrictions on payment mechanisms.
- Maintain an adequate number of instructional television fixed service (ITFS) channels available to public broadcasting, and broaden the permissible use of those channels.
- Initiate an expeditious rulemaking to develop appropriate policies for authorizing subscription television (STV) operations by public broadcasting licensees.
- Review Federal Communications Commission rules and policies governing on-air fundraising activities and promotional identification, in order to adjust rules that inhibit revenue production, consistent with the desire to maintain the noncommercial character of public telecommunications services.

Recommendation for NTIA

- Afford stations greater flexibility in the use of equipment funded in part with Federal funds.

Further Action to Be Taken by the Temporary Commission

- Study the feasibility of financing public telecommunications through a special trust fund.
- Study tax credits and expenditures.
- Analyze the report on the Advertising Demonstration Program.

The National Association of Broadcasters (NAB) also formed a Task Force to investigate alternative financing for public broadcasting. The NAB Task Force, after considering more than 40 potential funding alternatives, endorsed five funding options. Of the five, it considered the restoration of adequate Federal funding the most attractive, and it urged the Administration and Congress to avoid further reductions in Federal funding for public broadcasting. The other four options recommended were to encourage commercial stations to assist public stations in their appeals for subscribers and funds, to broadcast a national fund-raising program, tax checkoffs from individual refunds and tax credits.

Last year, CPB assembled an independent Task Force on Long Range Financing to study potential funding sources for public broadcasting. This February, the Task Force presented its findings to CPB's Board of Directors. The Task Force found that general tax revenues, at a recommended level of $200 million annually, authorized and appropriated in advance, remain the most appropriate mechanism for supporting public broadcasting. The Task Force also concluded that Federal support from tax credits, an excise tax, a specturm fee, and a Federally financed trust fund should recieve further consideration as potential supplements; but, it concluded that these mechanisms are probably not achievable at this time. The Task Force also concluded that even though entrepreneurial ventures may generate supplemental income for some stations, it is unlikely that such activities will provide levels of support sufficient to sustain stations' current services.

Question: Would you please submit a more detailed report for the record?

Answer: See attached report:

Public Broadcasting Funding Alternatives

A Report of the NAB Task Force on Public Broadcasting Funding

Introduction

Public broadcasting has grown during the past 50 years from a few educational radio stations to a nationwide radio and television service providing more than half of all American households with innovative and alternative programs of distinction. "Sesame Street", "All Things Considered", "Masterpiece Theatre", "The MacNeil-Lehrer Report", "Wall Street Week", "Live From The Met", "American Playhouse", "Nova", "Morning Edition" and dozens of other current programs have established the quality and importance of public broadcasting in the American communications system.

These programs, however, are threatened. Public broadcasting faces a funding crisis of crippling proportion. Federal funds--the cornerstone of support for public broadcasting--are being cut. Authorization of federal funds has already been reduced by some 40% from levels previously approved by Congress for FY '84, '85 and '86, and appropriations have been cut by 20% for FY '83. Even further reductions are currently being proposed by the current administration.

Federal funds provide about 27 percent of public broadcasting's total revenue from all sources, public and private. Cuts of the size proposed will force public broadcasters to reduce program production and service. Furthermore, complete elimination of the small but essential federal program that has provided key matching funds with which public stations have purchased and renewed broadcasting equipment is being recommended.

Federal dollars are vitally important to the vigor of the system. They are the most important source the system has of funds for new program initiatives. They are especially useful in attracting support from other sources because the federal funding provides $1 for every $2 raised by public broadcasters from non-federal sources. It is worth noting that the public system has always raised more non-federal dollars than have been required to match the federal appropriation in each year.

In addition to the federal funding reductions, local government support and funds for university operated stations are also shrinking. These institutions are also tightening their budgets and therefore their support of public broadcasting is threatened.

In response to the fiscal pressure on public broadcasting, Congress established a Temporary Commission on Alternative Financing for Public Telecommunications (TCAF) in August, 1981. That Commission is charged with the development of sources of revenue and finding options to maintain and enhance the alternative and diverse programming on public broadcasting. The Commission is also charged, however, with exploring other options and is required to obtain advice of business representatives and groups with an interest in public broadcasting. As part of the Temporary Commission's efforts, an advertising experiment is planned for 10 public television stations.

Although opposed to advertising on public broadcasting, the National Association of Broadcasters (NAB) shares the concern of funding for public broadcasting. NAB thus established its own Task Force on Public Broadcasting Funding in December, 1981 to grapple with the financial crisis facing public broadcasting.

Commercial broadcasters have long supported public radio and television stations. For years, they have provided direct funding support, donated equipment and expertise and urged government officials to develop public broadcasting to its full potential. There are numerous examples of commercial broadcasters assisting their public counterparts.

For instance, many commercial stations actively promote the fund-raising activities of local public stations by broadcasting the public subscriber campaigns on their stations. Some stations pay part of the operating costs for public stations. Others share their tower facilities at no cost. Still others donate equipment and hundreds of hours of technical and management advice. Dozens of similar examples exist throughout the country.

NAB has a traditron of supporting public broadcasting. NAB officials have testified before numerous Congressional committees and the Federal Communications Commission supporting the establishment of the Corporation for Public Broadcasting, the advance funding principle for the public system to insulate it from governmental control and efforts to reduce the regulatory burdens on public stations. The NAB Task Force is a natural development stemming from the Association's longstanding interest in a viable, alternative public system.

The NAB Task Force

Eight broadcasters, representing both commercial and public stations, constitute the NAB Task Force on Public Broadcasting Funding. The members are:

Thomas E. Bolger* (Chairman)
President
Forward Communications Corp.
Madison, Wisconsin

William F. Baker
President
Westinghouse Broadcasting
New York, New York

Ralph M. Baruch
Chairman
Viacom International
New York, NY

David O. Ives
President
WGBH Educational Foundation
Boston, Massachusetts

Donald A. Pels
President and Chairman of the Board
LIN Broadcasting Corp.
New York, New York

O. Leonard Press
Executive Director
Kentucky Educational Television
Lexington, Kentucky

Gert H.W. Schmidt*
Vice President
Television Group
Harte-Hanks Communications
Jacksonville, Florida

Cullie M. Tarleton*
Senior Vice President
Jefferson Pilot Broadcasting Co.
Charlotte, North Carolina

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* Mr. Bolger is also a former chairman of the NAB Board of Directors. Mr. Schmidt is currently Vice-Chairman of the NAB Television Board and Mr. Tarleton is currently chairman of the NAB Radio Board.

The Task Force began its work in early January of this year. During the first meeting at NAB's Washington headquarters, members reviewed the financial condition of public broadcasting and discussed the current proposals to reduce further federal support. The members also provided personal assessments of the financial condition and stability of local public broadcasting operations.

The first meeting primarily focused on funding options previously presented to the Temporary Commission and the Corporation for Public Broadcasting. These options were wide ranging and included excise taxes on receivers, teleconferencing plans, subscription television proposals, satellite resale and leasing arrangements, cable ownership, taxes on advertising, new methods for debt financing, national lotteries and auctions and rebroadcasting of commercial television programs. In addition to preparing an exhaustive list of several dozen funding alternatives, the Task Force also agreed to solicit the opinions of commercial and public broadcasters from across the country at a future date.

Following the discussion of funding alternatives among the Task Force and the NAB staff, several leaders of national public broadcasting organizations addressed the Task Force during the initial meeting to share their views on the funding crisis and funding options. Walda Roseman, Executive Vice President, Corporation for Public Broadcasting (CPB); Bruce Christiansen, President, National Association of Public Television Stations (NATPS); Larry Grossman, President, Public Broadcasting System (PBS); and Frank Mankiewicz, President, National Public Radio (NPR), each explained how the federal funding reductions were affecting their organizations. Each expressed the view that the current and proposed reductions in federal funding threaten the very survival of their organizations. Each welcomed the participation of NAB in the search for alternative sources of funding and asked that their appearances before the first meeting of the NAB Task Force serve as the foundation for regular, continuing communication between NAB and public broadcasting groups concerning the funding crisis. In outlining their approaches to the problem, the speakers stressed the need for program insulation and forward funding for public broadcasting along with the desireability of developing a variety of funding options which in combination might adequately support public broadcasting.

After the initial meeting, the NAB staff circulated a list of approximately 30 potential funding alternatives for comments from the four national public broadcasting organizations. These alternatives included all those outlined by the Temporary Commission on Alternative Financing in the FCC Notice of Inquiry plus the additional concepts suggested by the NAB Task Force members during the discussion at the initial meeting.

In response, CPB provided its views and those of the other public broadcasting groups concerning the feasibility, potential for revenue, effect on programming diversity, amount of insulation from political influence and potential negative side effects for each suggested alternative. CPB's response also summarized the results of studies and projections by the public broadcasters concerning fundraising alternatives. The CPB analysis was then circulated to the NAB Task Force prior to its second meeting.

The NAB staff also prepared a brief summary of funding alternatives in use in other countries and circulated it to the Task Force. Other nations have recognized the value of a strong public broadcasting system and many provide funding for public broadcasting from a diversity of sources.

At the second Task Force meeting, held at the headquarters of Viacom International in New York City in early February, the input from the public broadcasting groups and the review of funding alternatives employed in other countries were discussed. The Task Force then attempted to prioritize the funding alternatives and focus their efforts on those options considered the most viable.

Each of the now 41 alternatives was measured against a matrix of six criteria. These were: degree of revenue potential, impact on the content and quality of public broadcasting programming, the cooperation factor (potential for support or opposition from various interest groups), the NAB position on the funding alternative, the risks or negative factors for the option and the long-range implications for public broadcasting from the alternative. The complete list of 41 alternatives appears in Appendix A.

As a result of this evaluation, nine alternatives were identified as possibly having the best combination of revenue potential for public broadcasting, support from interest groups and the NAB membership, low risk factor for public broadcasting and long-range promise. The Task Force then agreed to seek further input concerning these nine options from broadcasters from across the country during a series of meetings. Each member of the Task Force agreed to host a meeting and invite commercial and public broadcasters to critique the nine options and suggest others for consideration by the Task Force.

Meetings were held in Boston, Charlotte, Jacksonville, Lexington, Ky., Madison, Wis., New York, San Francisco and Washington. In all, more than 75 broadcasters shared their opinions with the Task Force during these sessions. At each of the meetings, the nine options were debated and suggestions made as to other options which might be viable and provide the funding necessary to support public broadcasting.

Following the individual meetings across the country, the Task Force met a third time in Washington at the end of February. During that meeting, Sharon Rockefeller, Chairperson of the Board of CPB, and Ed Pfister, President of CPB, spoke to the Task Force about the immediate crisis in federal funding. At their request, NAB agreed to and immediately began a renewed government relations effort with members of Congress on the issue of adequate federal support for public broadcasting. Cullie Tarleton, a member of the Task Force, also testified in early March before the House Subcommittee on Telecommunications, Consumer Protection and Finance and stated NAB's full support for public broadcasting.

In addition to the discussion of the immediate crisis facing public broadcasting, the Task Force analyzed the alternatives reviewed at the meeting held with local broadcasters. Upon review, four of the alternatives were removed from further consideration. The Task Force also decided that three of the options would be given highest priority and the other two, although viable, were of lesser importance due to the relatively long-range implementation process necessary for them.

The NAB Task Force recognizes that no one alternative will necessarily provide complete funding for public broadcasting. In fact, perhaps a combination of funding plans is necessary to place public broadcasting on a sound financial footing. These options are offered with that understanding.

As a result then of several months of consideration by the Task Force as well as meetings with local broadcasters, these five funding options are now presented as alternatives endorsed by the NAB Task Force.

Option 1: Restoration of Adequate Federal Funding

This clearly is the most attractive funding alternative considered by the NAB Task Force. Direct federal subsidies to support public broadcasting expenditures are the easiest to administer and also the most secure method of financing. Federal funding also spreads the cost of support across the broadest range of people and therefore minimizes the financial burden on any particular group.

Federal funding often provides the "critical mass" of money necessary to generate additional support for public broadcasting. The federal monies, tied as they are to the forward funding principle, also offer the best method for achieving program insulation.

The NAB Task Force recognizes that federal budget-tightening imposes financial burdens on many programs--health, education, welfare and others. Federal budget cuts have also forced public broadcasters to tighten their belts and reduce their expenditures. The Task Force does not argue that public broadcasting should be completely spared during the Congressional budget debates. Instead, the Task Force argues that public broadcasting has already absorbed its share of budget cuts and that some effort must be made to maintain an adequate level of federal funding for public broadcasting and to prevent any additional budget cuts.[1]

Public broadcasting offers the American public special programs which are not viable on commercial broadcasting. It offers those programs free to all homes and not just those homes which could afford the cost of original drama, science programs, children's shows, symphonies and other programs. Federal funding, based on the principle that the nation should pay for the programming treasure offered by PBS and NPR, is the most equitable and effective means of supporting public broadcasting in this country.

The $130 million federal payment is a small price to pay for public broadcasting in this country. Based on 80 million television households, federal supports costs only $1.63 per household per year or only 13.5 cents per household per month. This clearly is a minimal price to pay in return for the wealth of programs available to all Americans.

Federal funding cuts are crippling public broadcasting. Stations are now stopping productions, selling their studios and curtailing their programming schedules. Millions of American homes which tune into public broadcasting weekly may soon lose this programming. The budget cuts, which have made major reductions in the real dollar support of public broadcasting, threaten the very existence of the system.

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[1] The reduction of CPB's budget from $172 to $130 million is a 25 percent reduction. The reduction is comparable to those affecting other social programs in the federal FY 1983 budget. For example:

Veteran's Disability	- 1.4%
Medicare	- 4.3%
Child Nutrition	- 9.4%
Medicaid	-10.4%
Welfare (AFDC)	-17.5%
Education Aid	-17.9%
Food Stamps	-19.1%
Low Income Energy Assistance	-25.8%

(Source: New York Times, Feb. 14, 1982)

The NAB Task Force looks to public broadcasters for their definition of the level of adequate federal funding. The administration proposed and Congress agreed to reduce the budget from $172 million appropriated to $130 million. Proposals now call for further reductions to $106 and $85 million in upcoming years. These figures certainly fall far short of the $220 million figure previously authorized for public broadcasting and threaten to destroy the public system. With inflation coupled to these budget cuts, public broadcasting faces a bleak financial future.[2]

The NAB Task Force urges the Administration and Congress to avoid further reductions in the federal funding concept for public broadcasting and maintain an adequate federal payment to insure that all Americans can enjoy and learn from public broadcasting programming in the years ahead.

Option 2: Encourage Commercial Stations to Assist Public Stations in Their Appeals for Subscribers and Funds

Public broadcasters have for years used their stations to solicit private support. But, the regular auctions, fund drives and efforts to attract subscribers account only for 10-15 percent of the annual support for public broadcasting. The Task Force recognizes that if a significantly greater portion of those persons who regularly watch or listen to public broadcasting could be convinced to pledge financial support that a major source of funding could be tapped.

Commercial broadcasters therefore can play an important role in helping public stations win support from more viewers and listeners. This option calls for commercial stations to assist public stations with their local fund-raising efforts. Many commercial stations already cooperate with public station telethons and subscriber drives. Some donate time, equipment and talent to these drives while others already simulcast a portion of the appeal for support telecasts. The goal of this option is to encourage more commercial stations to support public broadcasters by donating their time and talent at the local level. NAB pledges its support to coordinate efforts by local broadcasters seeking to assist public stations.

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[2] The Task Force believes that public broadcasting minimally should receive $130 million of federal support and substantially more if the public system is to flourish and retain its program vitality.

Some commercial stations may choose to join the public station's broadcast of auctions or subscriber drives for a few minutes during regular commercial breaks. Others may elect to carry part or all of a public station's telethons in place of their regular program schedule. Some commercial stations will prefer simply to produce and broadcast their own public service announcements focusing on the fund drive for the local public broadcasting stations.

This option, if adopted by a majority of commercial stations, promises to expose millions of viewers and listeners to public broadcasting's message. Commercial stations can dramatically enlarge the audience viewing and listening to the public funding appeals. Although it does not present a specific level of revenue for the public system, it does hold out the potential for attracting millions of new supporters for public broadcasters. It also allows commercial broadcasters to use their own facilities for an effective, locally-oriented appeal.

The NAB, for its part, must pursue an aggressive educational campaign with its members to promote this option. The Association is prepared to encourage its members to support public broadcasting and to assist in the distribution of sample public service announcements and other materials designed to build participation by commercial broadcasters in this concept.

Option 3: A National Fund-raising Broadcast Project

This option calls for a national broadcast designed to generate direct funds for public broadcasting. The broadcast could be aired by a commercial network, an independent network of stations through either a national or regional syndication effort or by PBS itself with assistance from commercial broadcasters. A radio-only national program is also under consideration. The program, perhaps similar to shows for various charitable organizations already broadcast or modeled after the recently successful "Night of 100 Stars" program, might possibly generate substantial funds for public broadcasting.

Related programming ideas include a national auction program or a national public broadcasting awards program. The NAB Task Force is currently exploring all of these program ideas with commercial and public broadcasters in an effort to build support for the concept. The Task Force has pledged its support to promote this option and believes that this option is an attractive one for commercial broadcasters and one which offers significant revenue potential for the public system.

Any program broadcast could be designed with local "windows" so that local commercial or public stations could join the telecast for individual broadcast segments. The program could also be simulcast by both commercial and public stations to maximize its audience exposure.

This clearly is an option completely within the private sector and one which demonstrates the working relationship between commercial and public broadcasting.

Option 4: Tax Checkoffs from Individual Refunds

This and option five are designed as longer-range alternatives for funding public broadcasting. The Task Force recognizes that any changes in state or federal tax laws may take considerable time and face some political opposition. In addition, any special tax advantage created for public broadcasting may result in other charitable organizations requesting similar treatment for their causes.

The idea behind this option is that the federal government and the individual states could designate a line on individual income tax forms to allow donations of a small portion of an individual's tax refund. Although the potential public response to this option is unclear, the revenue could indeed be significant. This option relies on voluntary giving and couples it to a time when many people anticipate "found" money in the form of a tax refund. It also does not require any direct federal or state funding.

The Task Force has selected a tax checkoff from a refund rather than from the tax owed category because of the opposition to the latter course. A checkoff from taxes owed results in a federal subsidy determined by the number of people who indicate their preference for such a funding mechanism. Currently the tax checkoff for Presidential election campaigns, which flows from the taxes owed category, generates approximately $40 million annually. A tax checkoff from refunds would most likely generate a lower figure than the election option.

The Task Force recommends that individual states also consider this option as a means to continue funding for their own public radio and television stations. Combined with a federal refund checkoff, this option could develop into a steady, though admittedly limited, source of funding for public broadcasting.

Option 5: Tax Credits for Contributions to Public Broadcasting

This final option selected by the Task Force, similar to the previous option, requires a long-range effort to change the federal and state tax laws. Tax credits offer public broadcasting a significant potential for support. This option could apply both to individuals and corporations, although there could be a maximum credit allowed of perhaps $250 for individuals and $10,000 for corporations.

The Task Force recognizes that tax credits are indeed a direct subsidy from the taxing authority to public broadcasting but believes that if the tax credits are used on a limited basis that they provide an equitable and innovative means of supporting public broadcasting. This option faces the same "tag-along" problem shared by the previous option from similar charitable organizations also wishing to participate in a tax credit plan.

Michigan currently uses a tax credit plan to finance higher education and public broadcasting. Individuals there qualify for a maximum $200 tax credit for contributions to universities and public broadcasting stations. The Task Force endorses this concept and urges both the Congress and individual states to consider tax credit legislation as an alternative method for funding public broadcasting.

Corporations particularly might be willing to contribute funding for public broadcasting if a tax credit exists for them. This option might spur not only large national companies to contribute to public broadcasting but also may generate support from local businesses now willing to contribute to their hometown public stations. Even commercial broadcasters could take advantage of this option as a means for extending their support to public stations.

Summary

Public broadcasting faces a funding crisis of critical importance. The current federal budget reductions have severly limited the growth and development of public broadcasting. Further funding cuts may spell the end of the public system as it exists today.

The NAB Task Force has spent several months wrestling with the financial problems facing public broadcasting. The Task Force members and individual broadcasters from across this country agree that a retention of adequate federal funding is the single best and fairest solution to the current funding crisis. No other alternatives can provide the guaranteed and insulated support for public broadcasting. The federal funding option also recognizes public broadcasting as a unique national asset available free to all citizens. Thus, it appears only fair to support that programming from the taxes of all citizens.

The other options, some relying on the expertise and involvement of commercial broadcasters and others looking to the tax law drafters in Congress and the state legislatures, are designed to provide partial funding for public broadcasting. No one option is a complete solution to the problem. In the tax area, NAB will utilize its government relations expertise to lobby for federal action and, working through state broadcasting associations, will prepare suggested legislation for consideration by state legislatures.

NAB will continue to explore and develop other alternative funding options to support public broadcasting. Ideas such as the domestic release of government sponsored programming originally produced for foreign distribution, the creation of a federal trust fund for public broadcasting and research into stimulating additional subscriber donations are reflective of the diversity of recent thinking in this area. In short, NAB has made a commitment to work toward the resolution of public broadcasting's funding crisis -- not only through this report but through continued efforts by its members and staff.

The Task Force recognizes that public broadcasting requires a stable source of income to support its construction, programming and operating expenditures. Public broadcasters are urged therefore to redouble their efforts to attract subscriber support and to develop broader based community involvement in the fight for survival. Public broadcasters must also continue to maintain tight cost controls so as to stretch their available funds across the range of budget demands.

The Task Force also urges the national public broadcasting organizations to continue their efforts to build a broader base of support for public broadcasting. NAB pledges to stand beside its public colleagues and work toward a restoration of adequate federal funding. Commercial broadcasters recognize the stakes of the current funding battle for public broadcasting. This Task Force, representing the commercial broadcasters of this country, will continue to work to make these selected options a reality and to educate fellow broadcasters, government officials and most importantly the public as to the benefit of public broadcasting for American society.

Appendix A

List of Options

1. Excise tax on new televisions and radios
2. Excise tax on TV households
3. Tax form checkoff designating portion of tax refund for public broadcasting
4. Tax form checkoff designating portion of tax owed for public broadcasting (like election campaign provisions)
5. Creating corporate tax credit for contributions to public broadcasting
6. Lotteries (local, regional, or national)
7. Encourage commercial stations to broadcast appeals for funds to benefit public stations.
8. Catalog kinds of support given by commercial stations to public stations (to encourage more of these activities)
9. Liberalize on-air underwriter identification restrictions to encourage more underwriting.
10. Work for restoration of full federal funding
11. Government matching of private contributions
12. Debt financing - industrial revenue bonding for public stations
13. Advertising on public stations
14. Use of instructional television fixed service spectrum for narrow-cast programs.
15. Use of sub-carrier authorization to generate profits through data/music distribution.
16. Subscription TV
17. Use of public broadcasting satellites system
18. Satellite brokerage
19. Direct broadcast satellites (DBS)
20. Teleconferencing
21. Lease of excess transponder and terminal capacity
22. Subscription pay cable service
23. Cable system ownership
24. Operation of one or more cable channels (leasing)
25. Alternatives involving video and audio tapes and discs
26. Teletext and videotext services
27. Service for hearing-impaired

28. Video tape service
29. Commercial production by noncommercial stations
30. Leasing of equipment and crews
31. Equipment maintenance and repair
32. PSA's for public broadcasting on commercial stations
33. Spectrum fee
34. Tax on advertising revenues
35. Fee for commercial station licensees in return for substantial license deregulation or tax credits
36. Access to commercial television's informational and cultural programming
37. Local trading or selling of commercially valuable channels licensed to public stations such as ascertainment
38. Relaxation of regulatory burdens such as ascertainment
39. Automatic cable copyright royalty payments
40. Reservation of low power television channels for commercial use
41. Fundraising telethon and/or auction on commercial stations, perhaps annually.

Chapter 4. Conclusions and Recommendations.

The Temporary Commission was given the task of reviewing, evaluating, and reporting on reasonably available financing options and submitting recommendations for such legislative and other actions deemed necessary or appropriate.

The Temporary Commission requested comments, suggestions, and recommendations from the public and from public broadcasting. The views and information submitted are summarized in the supplemental volume which accompanies this Report. In addition, the staff of the Temporary Commission developed detailed papers concerning these options, which are also included there. Based on its analysis of the options studied, the Temporary Commission believes that the various financing alternatives can provide, over a period of time, supplemental revenue for the nation's public broadcasting systems, but will not replace traditional Federal tax-based support within the foreseeable future.

Any serious appraisal of the existing, expanded, or new revenue-generating options reasonably available to public broadcasting must conclude that their short-run value is limited. The present discounted value of virtually all hypothetical future revenue flows is low. Some gains can be reasonably forecast with respect to subscriber and corporate contributions -- perhaps $8-9 million gross annually in the next several years. This depends greatly, however, upon conditions prevailing in the U.S. ecomony. As indicated above and in the accompanying staff papers, there are limitations on the revenue that can be obtained by stepping up these traditional fundraising activities.

Advertising is currently the object of the television experiment authorized by the Temporary Commission. This experiment, now being conducted by ten public television stations, provides an opportunity for reliable research and assessment based on actual experience. A final report with recommendations will be submitted to Congress by October, 1983.

Teleconferencing, facilities leasing, expanded SCA operations, commercial use of the satellite system, and program sales are all means by which additional revenues could be raised. In most instances, the capital requirements are less than diversification into major new media enterprises would entail. The transaction costs associated with these alternatives, however, are typically quite high. Considerable and sustained effort could be required to produce net gains sufficient to subsidize public broadcasting services. Not all public broadcasting stations could individually undertake all of these operations simultaneously.

Public broadcasting entities should be permitted and, indeed, encouraged to pursue these auxiliary service opportunities. The nexus between them and traditional public broadcasting operations is sufficiently close that a substantial adverse impact on contributors' incentives to contribute is unlikely. These expanded activities may pose questions concerning full and fair competition with the private sector by entities that have enjoyed substantial taxpayer and other Government support in the past.

New media ventures, such as MDS, cable television system ownership, direct broadcast satellite, and low power television operations would entail substantial new capital investment. The commercial potential of some of these services is sufficiently well-established in the investment community that funds might be available, although carrying the interest expense would be a significant obstacle. Other opportunities, such as direct broadcast satellite and major market cable television system ownership, involve substantial risks. Diversification by public broadcasting entities into these major, capital-intensive, and, in some instances, risky businesses could also substantially alter the goals, interests, and character of public broadcasting management by requiring a reorientation of their perspective. Whether these major new ventures are authorized, they again would not generate significant revenues needed to offset in whole or in part the projected financial shortfall.

The general financing options reviewed constitute either means of achieving desirable cost savings, or changing the nature of present Federal tax-based support for public broadcasting. The Temporary Commission does not now have detailed information showing the greater efficiencies reliance upon a Federal excise tax might yield, compared to present reliance on general tax revenues. The Temporary Commission believes, however, that the tax credit and trust fund proposals have considerable merit and thus warrant further serious study.

In conclusion, therefore, the Temporary Commission has not been able to identify any funding alternative which would be preferable to traditional funding procedures as a means to preserve the existing public broadcasting system. The Temporary Commission believes, however, that the various alternatives studied have the potential to provide supplemental income and that Congress, the FCC, and NTIA can take actions which will help alleviate the pressure on the Federal treasury. Accordingly, the Temporary Commission recommends:

Recommendations for Congress

1. Ensure that sustaining or bridging Federal funds are appropriated through the current authorization period and are continued until or unless adequate alternative financing is found.

No conscientious review of the financing alternatives reasonably available to public broadcasting in the short run could conclude that, in aggregate, they are sufficient to offset Federal appropriations reductions below $130 million. Reductions of the magnitude that have been proposed could lead to a loss of valued public radio and television services, particularly in smaller markets and less populated areas. No orderly transition to conditions where Federal support is less critical can be achieved if present funds are precipitously reduced on a "flash-cut" basis.

The Temporary Commission, therefore, recommends that Congress appropriate the full amounts authorized for the Corporation for Public Broadcasting for fiscal years 1984, 1985, and 1986, and for the Public Telecommunications Facilities Program administered by NTIA for fiscal years 1983 and 1984. These funding levels are reduced 29 percent from 1982 levels. In our judgment, they represent the minimum levels necessary to ensure the maintenance of existing public telecommunications services, and to provide an adequate basis for the further development of non-Federal, non-tax based sources of support. In addition, the Temporary Commission recommends that Congress continue to provide Federal funding at an adequate level to maintain and enhance public broadcasting services until or unless adequate alternative financing becomes available.

2. Study repeal of the unrelated business income refund provisions of the Public Broadcasting Amendments Act of 1981.

As amended in 1981, Federal law now requires public broadcasting stations: (a) to establish separate accounting systems for strictly revenue-producing ventures; (b) to avoid reliance on CPB-granted funds in conjunction with such ventures; (c) to pay Federal "unrelated income" taxes on any revenues of such activities; and (d) to refund to CPB an amount equal to the tax paid on unrelated business income. This last provision amounts to a double tax on unrelated activities that might produce additional revenue.

Public broadcasting should be encouraged to develop alternative financing sources expeditiously, and not, in effect, be penalized or taxed in this connection. The provisions of the 1981 legislation requiring public broadcasting entities to refund to CPB an amount equal to any unrelated business taxes paid should thus be studied to determine whether they warrant modification or repeal.

3. Review the progress of regulatory initiatives to enhance funding options for public telecommunications in order to ensure that they are carried out expeditiously, consistent with the stated goals and standards regarding alternative financing sources.

The Notice of Inquiry issued by the Temporary Commission drew comments from a number of parties targeting the regulatory restrictions that currently impair or inhibit the development of funding sources by public radio and television. These sources include fundraising and program underwriting, expanded ITFS usage, limited subscription television operations, greater exploitation of the vertical blanking interval and subcarrier (SCA) frequencies, facilities leasing, and satellite earth station and ground segment leasing. Many commenters also urged the FCC to address problems associated with UHF broadcasting, a factor which limits fundraising effectiveness and the potential for new services, such as teletext. We believe that the FCC can and should make changes in its rules and have thus recommended specific actions. We believe that it is essential for Congress to make it known that maintaining and enhancing funding options that benefit public telecommunications services -- while only one of many communications policy goals -- nevertheless is a high Congressional priority. We believe further that Congress should exercise continuing oversight of FCC initiatives in this regard.

4. Review carefully the effects of the 1981 Economic Recovery Tax Act and take steps necessary to increase tax incentives that reinforce individual and corporate incentives to contribute.

The consequences of recent changes in Federal tax laws for contributions to public broadcasting should be carefully assessed by Congress. If disincentives to giving have been created inadvertently, Congress should take appropriate corrective action. Additionally, Congress should study carefully the likely positive consequences of providing for a Federal tax credit for contributions to public broadcasting, and of affording contributors of property greater deductions.

Recommendations for the Federal Communications Commission

5. Authorize commercial and nonbroadcast, nonaural use of SCA subchannels by public radio stations, and enlarge the baseband.

Full public radio use of SCA subcarriers has the potential ultimately to provide public broadcasting needed additional revenue. Such use does not interfere with main channel programming and could provide the public with a valued service option.

6. Examine restrictions governing commercial use of satellite transponder and ground segment by

public radio and television licensees, and foster, not inhibit, non-interfering use of excess capacity.

The potential revenues obtainable through increased leasing of satellite communications facilities and capacities are small, but available in the short run. This potential should be made available to public broadcasting on an expedited basis.

7. Move expeditiously to resolve UHF comparability problems.

The UHF "handicap" affects 60 percent of public television licensees. It retards the development of subscriber and underwriting income, limits the availability of public television service options to the public, and sharply curtails the viability of proposed new services, such as teletext. The FCC should seek to resolve this longstanding controversy expeditiously.

8. Ensure that public television stations are authorized to offer teletext services without restrictions on payment mechanisms.

Teletext developments hold promise and could potentially yield substantial revenues in the future while providing additional and valued services to the public. The revenue generating potential of such services in the near term is not known precisely. Advances in UHF comparability are a necessary concomitant to the full development of these new services. At the same time, public broadcasters should be allowed to employ a diversity of payment mechanisms in support of these services, in order to maximize revenues and public acceptance.

9. Maintain an adequate number of ITFS channels available to public broadcasting, and broaden the permissible use of those channels.

The use of ITFS channels to provide services is an idea with merit, and the FCC should take the steps necessary to ensure public television licensees have a full and fair opportunity to make greater use of these channels for revenue generating purposes. While such ventures are unlikely to yield short term financial gains, this is an area of future development that should continue to be afforded to public broadcasters.

10. Initiate an expeditious rulemaking to develop appropriate policies for authorizing STV operations by public broadcasting licensees.

For public television licensees in selected markets, STV may prove an effective way to generate income without interfering with current services. Shifting current mainstream public television programming to STV is an impractical option for both economic and public policy reasons. Some stations may be able to generate income by leasing excess or auxiliary channel capacity to STV operators or by operating STV services on these channels, either independently or in joint ventures with private firms. Revenues from these activities would support existing public telecommunications services offered directly to the public.

Market conditions indicate that these options are likely to be available and helpful only if the Commission adopts rule changes in the near future.

11. Review FCC rules and policies governing on-air fund-raising activities and promotional identification, in order to adjust rules that inhibit

revenue production, consistent with the desire to maintain the noncommercial character of public telecommunications services.

Anticipated reductions in Federal funds make general strategies to enhance non-Federal financing essential. Two specific options -- advertising and enhanced underwriting -- are being examined through the limited advertising experiment program. There are, however, other options regarding on-air announcements and identification of donors that fall between "advertising" and current activities. Permitting licensees to broadcast announcements pertaining to program-related products and services (e.g., books, records, and cassette sales) would increase the revenue potential of various ancillary ventures. There are risks associated with this option. This option is not being explored in the advertising demonstration. It deserves close scrutiny due to its limited potential to interfere with program control and content, and its likely congruence with public broadcasting's primary purpose of disseminating programming.

Recommendations for NTIA

12. Afford stations greater flexibility in the use of equipment funded in part with Federal funds.

NTIA regulations under the Public Telecommunications Facilities Program afford grantees the flexibility to make commercial and quasi-commercial use of funded equipment, provided this is done on a "non-interfering basis." NTIA should further relax its regulation to allow stations to transfer the "Federal interest" in equipment from funded to other items with greater flexibility.

Further Actions to be Taken by the Temporary Commission

13. Study the feasibility of financing public telecommunications through a special trust fund.

The establishment of a trust fund mechanism to provide funds for public telecommunications in the future should be studied carefully. Any such study should include consideration of the use of special "sunsetted" excise taxes to provide the capital needed for such a fund.

14. Study Tax Credits and Expenditures.

State income tax credits have proven of value to public broadcasting in States, including Michigan. The Commission should study and report on the feasibility and desirability of such credits in other States and at the Federal level.

15. Analyze and Report on the Advertising Demonstration Program.

As directed by Congress, the Temporary Commission should submit a supplementary report and recommendations by October 1, 1983, concerning the feasibility of authorizing advertising operations on public broadcasting on an optional basis. This may include recommendations as to the feasibility of establishing a new category of broadcasting stations to be designated nonprofit as opposed to noncommercial or commercial.

* * *

CPB TASK FORCE ON LONG RANGE FINANCING

Question: In last year's testimony you indicated that the Corporation has set up a task force on long range funding. Can you brief us on what, if anything, it has reported?

Answer: The Corporation for Public Broadcasting established an independent Task Force on Long Range Financing with members representing industry, education, public broadcasting and the general public. The Task Force evaluated potential financing sources that could be used to sustain and enhance public broadcasting. Early this year the Task Force issued its findings. It concluded that in the future the American people will continue to look to public broadcasting as a primary source of educational, informational and cultural programming. The Task Force also found that the most appropriate mechanism for Federal support remains general tax revenues, authorized and appropriated in advance at a recommended level of $200 million annually. Additionally, the Task Force reported that, although some entrepreneurial activities might provide supplemental income, they would probably not be able to provide enough income to maintain public broadcasting services. The Task Force also concluded that other mechanisms for Federal support, tax credits, an excise tax, a spectrum fee, and a Federally financed trust fund should receive further consideration as potential supplements but are probably not achievable at this time.

NON-FEDERAL FINANCIAL SUPPORT

Question: What has been done to encourage additional private sector support? What are your future projections?

Answer: In principle, CPB's funding for public broadcasting has been based on the premise that the Federal dollars provided an incentive to the private and public sector by matching non-Federal financial support. This match acts as a stimulus to increase the amount of private sector funding.

As a one time and immediate response to reduced Federal funding, CPB has established a $5 million Challenge Grant program for 1983 which will increase the match for stations who improve the level of subscriber support over the previous year. Thus there is an immediate incentive for stations to increase their private sector support

During the fundraising festivals, CPB has also contributed to the costs of programs, in what is called the Station Independence Program, in order to assure the most effective programming was available to the stations at these critical fundraising periods.

In order to assist radio stations in raising private sector support, CPB established and continues to fund Development Exchange, Inc., an advisory service on development activities for stations. CPB, itself, is also about to establish a development office to pursue private sector funds.

Question: In your opinion, will support from the private sector ever:
— Make-up for the loss of Federal funds
— Replace Federal funding?

Answer: Although CPB is working at both the local and the national level to increase private sector support for public broadcasting, this support will never compensate for, nor replace, Federal support. In principle, funding for public broadcasting is based on the Federal government's providing an incentive to the private and public sector by matching non-Federal financial support with Federal dollars. This match acts as a stimulus to increase the amount of private sector funding. As Federal support shrinks, the incentive for private sector giving likewise declines, making it increasingly difficult to sustain, let alone increase, private support. Furthermore, reductions in Federal support send a clear signal to the private sector that public broadcasting is declining in national importance, which increases the difficulty of raising private sector funds.

NATIONAL PROGRAMMING SUPPORT

Question: How do you plan to increase the 22 percent now provided to support production, etc., for national distribution to the required 28 percent?

Answer: The increase in the budget for national program production from 22 percent in FY 1983 to 28 percent in FY 1984-86 came about through the inclusion of the allocation formula as part of the 1981 Public Broadcasting Amendments Act. The formula specifies the amount for television production and the maximum amount for radio production to deliver a total of 28 percent. Other elements of the budget - CSGs, fixed costs, and CPB costs - were adjusted according to the formula.

CPB ADMINISTRATIVE EXPENDITURES

Question: How much did the Corporation spend in FY 1982 for:
— Entertainment, receptions and parties?
— Non-programming related public relations?
— Congresional liaision and information activies?

Answer: In FY 1982, the Corporation spent:

- $41,000 for entertainment and receptions, all of which were associated with corporate business. This represents 0.02 percent of the total expenses for the year.
- $440,000 for nonprogramming related public relations. This represents 0.22 percent of total expenses and includes costs for national awareness, Board support, publications, and mailing.
- $160,000 on Congressional liaison and information activities. This represents 0.08 percent of total expenses for the year.

TRAINING ACTIVITES

Question: You have indicated that you have had to limit your training programs. How does this affect the Corporation's pool of future professionals?

Answer: The limitation, imposed by declining financial resources, will have a minimal short range effect on the Corporation's professionals. However, the limitation of funds to support contractual, in-house managerial training and participation in external, institutional training may have a long-range, adverse impact on staff skills. There is continuing need to sharpen the skills, particularly in middle managers, in today's fast-moving, economically depressed environment.

Question: How will this reduction in training affect the broadcasting industry as a whole?

Answer: The reduction of funds committed to training will limit the overall number of individuals who may be trained in each component of the training program. This limitation could have a rippling effect in the entire public broadcasting workforce. For example, a decrease in training opportunities for entry level employees could severely limit their preparedness to compete for employment in mid- and upper-level positions.

Because the number of available grants for technical, mid- and executive-level training will be reduced, many stations could be excluded for an extended period from skills training required to sustain professional efficiency in these categories. In this example, skills enhancement would become stagnated, thereby eroding the managerial excellence needed in an environment of declining resources. Additionally, by restricting entry level training, through which many minorities and women enter the work force, the overall percentage of these persons employed within the system will ultimately decrease, e.g., through attrition.

Question: Would you care to venture an opinion as to how this limitation will affect the aspirant to a career in broadcasting?

Answer: The limitations imposed by declining financial resources for training are endemic to a non-growth institution. The absence or restriction of clearly visible, stable career development/training opportunities would signal retardation of upward mobility opportunities. Aspirants are, therefore, likely to be discouraged from seeking a career in this industry, especially when better options may be available in other fields. Growth industries in the private sector advertise upward mobility and career opportunities as an incentive to join their organizations. Additionally, incumbent employees will be disinclined to remain in a stagnant career environment where little or no probability exists for upward movement.

PROPOSED INCREASE IN CPB'S AUTHORIZATION

Question: What has actually happened over the past year that has prompted Congressman Dingell to request a 11.5 percent or $15 million increase in your FY 1984 budget and a 5.5 percent or $8 million increase in your FY 1985 budget, and a 5.8 percent or $9 million increase in your FY 1986 budget?

Answer: Many citizens, including members of Congress, realize that the $35 million reduction in funding from fiscal 1982 to 1983 has caused serious damage to public broadcasting's ability to fulfill its mandate to serve all the American people with programming of high quality and excellence. Already station broadcast hours and production of new programs have been cut back because of lack of funding. Further damage to the institution is inevitable if our funding stays at the $130 million level for the next three years. In real dollar terms, after adjusting for inflation, Federal funding would decrease from $137 million in 1983 to $123 million in 1984, $117 million and $110 million in 1986 an 1983 dollars. Given the inability of private-sector support to make up the difference in growth and inflation, it is understandable that Congress would want to protect public broadcasting from a further downward spiral in funding that would affect support from non-Federal sources at a time when the economy has constrained the private sector's ability to contribute.

PUBLIC BROADCASTING INCOME

Question: Please submit for the record:

- Percent of funding provided by the Federal Government;
- Percent of funding provided by the various state governments; and
- Percent of funding provided by the local government.

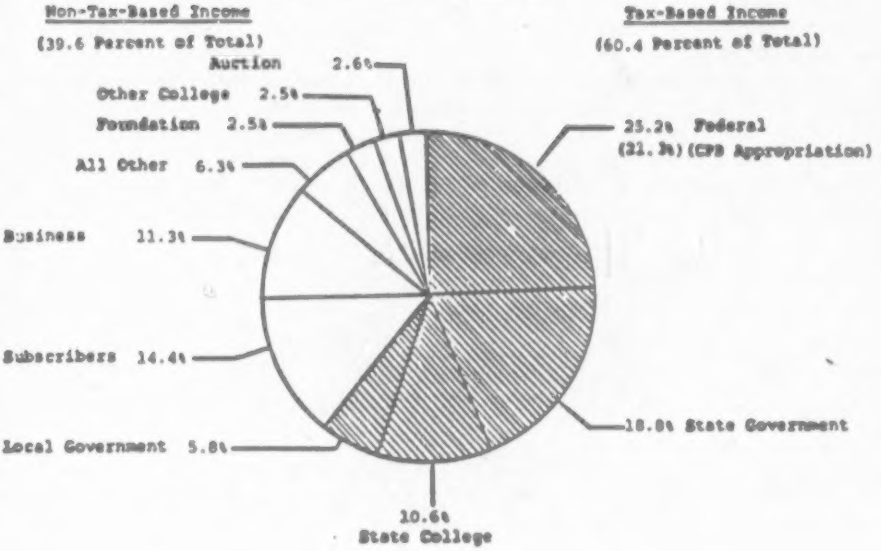
Answer:

- Federal funding for CPB in FY 1982 represents 20.5 percent ($172 million) for total public broadcasting income; other funding was 3.1 percent ($26.3 million) of system income. The total Federal contribution, based on preliminary data, was 23.6 percent ($198.3 million) of public broadcasting's total revenues. This represents 1.6 percent less than the 1981 share (25.2 percent).
- Various state governments provided 18.9 percent (or $158.4 million) of the total revenues in FY 1982. Their 1981 share was 18.8 percent.
- Funding provided by the local governments was 5.1 percent in FY 1982, representing a 0.7 percentage point decrease from the previous year.
- See attached table.

FIGURE 5

PUBLIC BROADCASTING INCOME
BY SOURCE: FY 1981

(Total Income: $768,895,000)



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Question: List all non-government sources of income by entity and amount. Please include the amount of income raised by public appeal.

Answer: The following table shows all non-government income by type of entity or source for FY 1982 (preliminary data).

Non-government Income of Public Broadcasting
by Source: FY 1982

Source	Income (in thousands of dollars)
Private and Other Colleges	$ 19,700
Foundation	22,200
Business	89,900
Subscription (through public appeal)	140,100
Auction (through public appeal)	20,100
All Others	58,300
Total Non-Government Revenue	$350,300

NON-FEDERAL FINANCIAL SUPPORT

Question: Have you explored how Federal initiatives might increase private sector support for CPB?

Answer: Over the past eighteen months, CPB has conducted (through its Long Range Financing Task Force) or participated in conducting (as a member of the Temporary Commission on Alternative Financing for Public

Telecommunications) comprehensive analyses of the funding problems faced by the public broadcasting community. Additionally, the National Association of Broadcasters (NAB) also empanelled a blue ribbon committee to examine the problem of adequate and appropriate financing for public broadcasting. After thousands of hours analyzing a wide range of actual and possible Federal funding arrangements, only one technically plausible new initiative has been identified by CPB's Task Force, the NAB's Task Force, and the Congressionally-mandated Temporary Commission.

This new initiative would be the creation of a Federal tax credit for contributions to public broadcasting. From a practical standpoint, such a tax credit would not generate very much in the way of new revenues (such contributions already being tax deductible). The tax credit is unlikely to be more than a small supplement to current Federal appropriations, it may simply increase the tax credit available for the current level of private support, and it would be not be enough to make up for the recent declines in Federal support.

From a public policy standpoint, the most effective and equitable Federal initiative for the support of public broadcasting is already in place, if only sufficient funds were appropriated to allow it to operate properly. This is, of course, the "matching principle" whereby one dollar of Federal funds is appropriated to public broadcasting for every two dollars of non-Federal funds raised by the system, up to a ceiling established by the respective House and Senate Appropriations Committees. Established in 1975, this Federal funding initiative challenged the public to support the public broadcasting institution as a condition of appropriating Federal monies. This worked very well until drastic cuts in public broadcasting's appropriation emasculated the matching principle. In CPB's judgment, the most effective action the Federal government can take to challenge the private sector to support public broadcasting is to restore meaning to the matching principle by appropriating reasonable amounts of funds for public broadcasting, thereby continuing to give encouragement for the public at-large to provide the majority of funds necessary to sustain this institution.

CPB BUDGET - FY 1981, 1982 AND 1983

Question: Provide for the record the actual operating budget for the following fiscal years: 1981, 1982, and 1983.

Answer: Actual operating budget for the fiscal years 1981, 1982, and 1983

Summary of Revenues:	FY1981 Actual	FY1982 Actual	FY1983 Actual
Appropriation	$162.0	$172.0	$137.0
Interest Income	4.1	12.0	6.0
Other Income	1.5	2.1	0.2
Total	$167.6	$186.1	$143.2
Summary of Expenses:			
Television			
CSGs	$ 81.0	$ 86.0	$ 68.5
Program Production	20.3	24.8	18.2
Subtotal	$101.3	$110.8	$ 86.7

	FY1981 Actual	FY1982 Actual	FY1983 Actual
Radio			
CSGs	$ 16.9	$ 18.8	$ 16.8
Program Production	14.6	15.3	12.1
Temporary Interconnection	0.3	0.3	0.3
Subtotal	$ 31.8	$ 34.4	$ 29.2
CPB:			
System Fixed Expenses:			
Satellite Deficit	$ 3.0	$ 7.8	$ 3.0
Music Royalty Fees	2.7	3.0	3.3
TV Interconnection	5.5	5.5	5.0
Subtotal	$ 11.2	$ 16.3	$ 11.3
System Support Expenses:			
Education, Human Resources, Policy Dev., Planning & Eval.	$ 6.3	$ 6.7	$ 5.6
Administration	8.0	7.5	6.1
Contingency	0.6	-	0.5
Subtotal	$ 14.9	$ 14.2	$ 12.1
Other Allocations:			
Challenge Grant Programs	$ -	$ 5.0	$ -
SIP & Advertising (TV)	5.0	3.5	2.8
Expansion (Radio)	3.4	1.2	0.5
Earth Terminals (TV)	-	0.7	0.5
Subtotal	$ 8.4	$ 10.4	$ 3.8
TOTAL	$167.6	$186.1	$143.2

CPB BUDGET FY 1984, 1985 AND 1986

Question: Provide for the record the anticipated operating budget for fiscal years 1984, 1985, and 1986.

Answer: The anticipated operating budget for fiscal years 1984, 1985 and 1986 is:

Summary of Revenues:	FY1984 Actual	FY1985 Estimate	FY1986 Estimate
Appropriation	$130.0	$130.0	$130.0
Interest Income	5.8	-	-
Other Income	0.2	-	-
TOTAL	$136.0	$130.0	$130.0
Summary of Expenses:			
Television			
CSGs	$ 65.8	$ 65.8	$ 65.8
Program Production	21.9	21.9	21.9
Subtotal	$ 87.7	$ 87.7	$ 87.7

	FY1984 Actual	FY1985 Estimate	FY1986 Estimate
Radio			
CSGs	$ 18.5	$ -	$ -
Program Production	10.5	-	-
Temporary Interconnection	0.3	-	-
Subtotal	$ 29.3	$ 29.3	$ 29.3
CPB			
System Fixed Expenses			
Satellite Deficit	$ 3.1	$ -	$ -
Music Royalty Fees	1.8	-	-
TV Interconnection	4.8	-	-
Subtotal	$ 8.9	$ 7.8	$ 7.8
System Support Expenses			
Education, Human Resources & Policy Dev., Planning & Eval.	$ 4.1	$ -	$ -
Administration	5.7	-	-
Contingency	0.3	-	-
Subtotal	$ 10.1	$ 5.2	$ 5.2
Other Allocations:			
Challenge Grant Programs	-	-	-
SIP & Advertising (TV)	-	-	-
Expansion (Radio)	-	-	-
Earth Terminals (TV)	-	-	-
Subtotal	-	-	-
TOTAL	$136.0	$130.0	$130.0

PUBLIC BROADCASTING INCOME, 1981 - 1984

Question: Provide for the record the sources of revenues for fiscal years 1981 through 1984, indicating ratio of Federal funds, corporate contributions, and private donations.

Answer: As the following table shows, the share of Federal funds decreased from 25.2 percent of the total revenues in FY 1981 to 23.6 percent in FY 1982, and it is projected to decrease substantially to 19.3 percent in FY 1983 and 17.3 percent in FY 1984 if the CPB appropriation levels are at $137 million in FY 1983 and $130 million in FY 1984. The balance of the income not reflected in the table comes from state and local governments, colleges, foundations and other miscellaneous sources.

Federal Funds, Corporate Contributions, and Private Donations as Percent of Public Broadcasting's Total Income Fiscal Years 1981 - 1984

(Dollars in Millions)

Selected Income Source	1981	1982	1983	1984
Federal funds	$193.7	$198.3	$165.3	$154.4
Percent of total	25.2	23.6	19.3	17.4
Corporate funds	$ 86.8	$ 89.9	$101.6	$108.3
Percent of total	11.3	10.7	11.9	12.2
Private Donations*	$130.8	$169.2	$176.2	$185.0
Percent of total	17.0	19.1	20.6	20.8
Total Income	$768.9	$839.2	$854.9	$888.1

Note: 1981 figures are actual, 1982 figures are preliminary, and 1983 and 1984 figures are projected.

* subscription and auction

CPB BOARD OF DIRECTORS

Question: In last year's hearing, Senator Proxmire addresssed a question to his concern over the cost generated by Corporation Board member activities. Has anything been done to improve the cost effectiveness of the activity in FY 1983?

Answer: The Corporation and its Board have been working together to contain costs and to improve the effectiveness of Board activities. By reducing the number of Board meetings and eliminating out of town meetings, Board expenses were reduced from $253,000 in 1981 to $163,000 in 1982. The rate of spending for 1983, after five months, seems to be consistent with that of 1982.

CPB USE OF FEDERAL FUNDS

Question: There is a portion of appropriations language prohibiting the use of Federal funds for receptions, entertainment, or on government employees and also prohibits discrimination in any program or activity using such Federal funds. How have you monitored or investigated these prohibitions?

Answer: The statute actually provides, "That no funds made available to the Corporation for Public Broadcasting by this Act shall be used be used to pay for receptions, parties, or similar forms of entertainment for Government officials or employees: Provided further, that none of the funds contained in this paragragh shall be available or used to aid or support any program or activity excluding from participation in, denying the benefits of, or discriminating against any person on the basis of race, color, national origin, religion, or sex." (emphasis added) The Corporation has a written policy against using any funds to entertain government officials and employees. In addition, all plans for entertaining or requests for reimbursements are screened by officers of the Corporation to assure compliance with the policy. There is, in addition, a policy of nondiscrimination for the Corporation itself and, for our grantees, contractors, or consultants. A statement of nondiscrimination is included in all contracts.

CPB has not been given the responsibility for enforcing nondiscriminatory policies, but if any charges were brought against a grantee, contractor, or consultant the Corporation would investigate. If it were found that charges were justified, the Corporation would cease funding the offender until it could be proven that any violation were corrected.

Question: Have you found any misuse of Federal funds pertaining to these prohibitions?

Answer: Although some charges have been made against recipients of CPB funds, the Corporation has not found, on investigation, that any of the charges could be substantiated.

CPB SUPPORT OF PROGRAMMING

Question: Can you provide the Subcommittee specific examples on how you have obligated Federal funds to meet your statutory priorities — i.e. 62 percent to the stations in the form of grants for programming. Can you provide us with examples of this programming?

Answer: The statute does not specify a percent of funds to be distributed in the form of programming grants to stations. However, in FY 1982, CPB provided $102,194,508 in Community Service Grants to the stations. Of that amount, $64,980,024 was used by stations for program production and acquisition (64 percent of CSG's). Program production activities at stations include all locally produced hours. Program acquisition includes all programming purchased or leased for broadcast. Acquisition sources include the Station Program Cooperative for the Public Broadcasting Service (television), regional networks, independent producers and private syndicators.

The latest surveys (FY 1981) indicate that 77 percent of all hours broadcast by public television stations was produced at public television stations, 23 percent of all hours broadcast was acquired from independent producers or private syndicators. Sixty percent of all hours broadcast by public radio stations was produced at the local stations, and 40 percent of all other public radio broadcast hours was acquired from National Public Radio, independent producers or private syndication sources.

DISTRIBUTION OF FEDERAL FUNDS

Question: Please provide examples for other parts of the formula?

Answer: The remaining formula allocates funds as follows:

- 28 percent for television and radio national program production;
- Up to six percent for system fixed costs (interconnection, music royalty fees, satellite financing) of which CPB must finance 50 percent of the costs of interconnection;
- Four percent for CPB's system support activities and administrative costs.

EFFECTS OF FEDERAL FUNDING REDUCTION

Question: How has the reduction in Federal funds from FY 1982 levels affected the operations of the Corporation?

Answer: In the FY 1984 budget, CPB has had to reduce or curtail virtually every activity in its budget. Major examples include:

- Television CSGs were reduced by almost $21 million, approximately 25 percent.
- Radio national production has been reduced by $5 million, almost 33 percent.

- CPB support for television interconnection costs has been reduced by $1.5 million, almost 28 percent.
- CPB support for training programs, diversity efforts, audience research and other policy planning and research has decreased by $2.6 million, almost 40 percent.
- CPB's own administrative costs have been reduced by $1.8 million, about 24 percent, and staff has been reduced by one third.
- CPB support for national program advertising and national fund-raising has been eliminated ($3.5 million).
- Support for expansion of public radio services has been terminated.
- Support for the interconnection of new television stations has been terminated.

Question: What are the effects over the long-term?

Answer: Long-term effects of the reduced funding will result in a stagnation of audiences and financial support as funds for programs and operations remain level or decrease, resulting in fewer new programs and a diminution of other services. At worst, there may be a decrease in audiences and support if the quality of programs and other services suffer.

Question: Can you provide us with examples of how operations and programming have been affected?

Answer: With regard to the effect on station operations, an informal survey of 31 public stations (13 television, eleven radio, and seven joint licensees) reveals that 29 are having to reduce operations in two or more of the following areas: national programming (18); local program production (18); equipment purchases, maintenance and operations (8); staff and/or salary reductions (18); and staff training (5). The two facing no cutbacks are relatively new stations in previously unserved markets and are experiencing an uncharacteristic "boom."

Some stations volunteered that further reductions in income would cause a reduction in hours on-air. Most expressed reluctance to take this step, citing their missions of public service and quality programming.

CPB support of television programming was affected as follows: between FY 1982 and FY 1983, production and advertising funds at the Corporation were reduced by $3.3 million. Of this, $1.7 million was carried forward into future years to continue projects which would not have been supported as a result of the Federal reduction and which the Corporation had been developing over several years and had a great deal invested in, i.e., American Playhouse, Frontline and the Matters of Life and Death series.

Another $0.9 million of this reduction caused a delay in the development of new children's and minority programming initiatives which were scheduled to begin in FY 1983-1984. The remaining $.7 million resulted in a reduction in funding for the Station Independence Project and the Tune-In advertising campaign.

NEW TECHNOLOGIES

Question: How much of a contribution has the Corporation for Public Broadcasting made in the past 10 years to the area of new technologies?

Answer: Over the past ten years, CPB and the various members of the public broadcast community have made a number of noteworthy, pioneering contributions to the area of new technologies. It was the Corporation's pioneering development efforts in the early 1970's in low power television service which led to the eventual adoption of this type of broadcast operation by the FCC. It was CPB's foresight which led to public broadcasting's switch from terrestrial interconnection to communications satellite interconnection. CPB has also worked with the stations in developing a wide variety of uses of the television vertical blanking interval, to deliver public services such as closed captioning for the hearing impaired and electronic text for farmers and the agricultural industry. In the area of videodisc technology, CPB's work with stations has resulted in the development of new state-of-the-art hardware and software for interactive videodiscs that are already being used to educate and train people across the nation. The list of achievements goes on — educational and instructional systems for cable, SCA services, development of dual video capacities for microwave transmissions, educational/informational teletext and video services, and public services for interactive cable systems.

Question: How much of an impact would curtailment of your developmental activities have on the broadcast industry?

Answer: Given the relatively small amount of resources CPB has to commit to new technology research and development, the accomplishments have been nothing short of phenomenal. In addressing ourselves to the curtailment of these activities would have on the broadcast industry, it is essential to understand that the achievements CPB has made in new technologies — assisted by the stations, NPR, PBS, and NSF among other public institutions — were and are being pursued solely because of the potential benefit they hold for increasing the capabilities of these devices to serve the public.

Low power television, for example, was developed by CPB in order to find a cost-effective way to deliver services to the remote corners of this nation which are completely unserved by any form of broadcast media. CPB was working to develop many of the new technologies currently viewed as heralding "the communications revolution" years before they were commercially attractive; and public stations across the nation were using these technologies to provide services to people years before the private sector figured out ways to make such technologies profitable. Curtailment of these activities would mean that America would have no public service institution looking at ways to use new communications technologies to serve the public, or to develop new technologies that may not be commercially feasible at the moment but could provide desperately needed services to underserved groups such as the handicapped.

Can this nation afford to allow for only the development of new communications technologies — growing every day in their importance to this country's well-being — that are perceived as commercially attractive and profitable? This should be carefully considered, because curtailment of CPB's development activities in new communications technologies would result in precisely such a situation. The impact on the ability of public service in the United States — in all areas including education, health, human services, agriculture — would be devastating for decades to come.

CPB FY 1984, 1985 AND 1986 APPROPRIATIONS

Question: Your appropriations for FY '84 and '85 and your request for FY '86 indicate a flat funding level of $130 million. How does the Corporation plan to cope with inflationary pressures over this three-year period?

Answer: CPB has already put in place an administration and personnel structure which we hope will be sustainable through the FY 1984-1986 time frame. With respect to the overwhelming majority of the funds which are distributed to the stations for national programming, or to pay for fixed costs, inflation will result in some reductions in operations and services. These reductions may manifest themselves in fewer programs with more repeats or cheaper acquisitions rather than new productions, shorter on-air hours, and could result in a reduction in subscriber contributions.

PUBLIC BROADCASTING SYSTEM GROWTH

Question: You have told us in your presentation that you consider growth within the public broadcasting system as a serious problem. Please tell us what your growth was in FY '82, and what you may expect in FY '83 through '86.

Answer: In FY 1982, one new television station entered the Community Service Grant program and 20 new radio stations entered the program. Projections for FY 1983 through 1986 show 17 new television stations and 51 new radio stations entering the CSG program, for a total of 68 new CSG recipients by the end of FY 1986.

EDUCATIONAL PUBLIC BROADCASTING

Question: As you know, I have a strong interest in education. My staff has reviewed your presentation in the Corporation's five-year plan — however, can you describe for the record what your activities have been and will be in the areas of childrn's programming, adult education, education for the disabled and education for the elderly?

Answer:

Children's Programming

To reach increasing numbers of young people with programs of intellectual merit, the Corporation for Public Broadcasting has moved in three areas - instructional television (ITV) designed for use in schools, educational television designed for use in both schools and homes, and, most recently, radio and television programming for children and families to enjoy at home together.

In the area of instructional programming, since 1979 CPB has provided support for elementary and secondary television programs in the following areas:

a. For science - 3-2-1 CONTACT (Seasons I and II), COMMUNITY OF LIVING THINGS, UP CLOSE AND NATURAL, AND FEATHERBY'S FABLES;
b. For reading, arts, and language skills - READING RAINBOW, FROM THE BROTHERS GRIMM, and THE ARTS EXPRESS;
c. For history - NEWSCAST FROM THE PAST;
d. For health, reasoning, and other learning and growth skills - THINKABOUT, ON THE LEVEL, TUNED-IN, HIGHER FEATHER, OLD ENOUGH TO CARE and MOVING RIGHT ALONG.

In addition, CPB has provided support for non-broadcast and print materials to help children use and understand quality general audience programming available on public television.

In the area of educational programming for home and school, CPB has provided support toward several major series including:

a. 3-2-1 CONTACT (Seasons I and II) - the acclaimed science series which, in its first season, was watched at home by over 23 million young people and was also used widely in schools, with over 500,000 teacher's guides requested by interested faculty;
b. READING RAINBOW - a series of fifteen 30-minute television programs, cofunded with the Kellogg Company, designed to enhance and sustain the reading skills of first and second graders, that will premiere this summer;
c. A radio initiative aimed at five-to-nine-year-olds, currently in the pilot stage, that is intended to heighten children's listening skills and encourage reading.

Most recently, in an effort to provide a regular early evening programming service for children aged six to twelve and their parents, CPB announced in the fall of 1982 that it would provide $6 million over a 3-year period (1982, 1983, and 1984) toward the production of 26 specials to be aired starting in the fall of 1984. This new programming service, being produced by a consortium of public television stations (WQED, Pittsburgh; South Carolina ETV; KTCA, St. Paul; KCET, Los Angeles; and WETA, Washington, D.C.), will draw heavily on the talents of independent producers. The consortium expects to put together additional funding from a variety of private and public sources to create quality programs that may be enjoyed, shared and discussed by children and their parents.

Adult Education

CPB has sought to provide educational opportunities for adults both by building on existing resources and by creating totally new resources.

An efficient way to build on existing resources is to provide print materials, in the form of viewer guides, magazines and educational kits for programs of merit. CPB has provided such aids to approximately 20 different series including, for adults, ODYSSEY, SHAKESPEARE, AMERICAN PLAYHOUSE, HARD CHOICES, WITH OSSIE AND RUBY, and FIRST PERSON AMERICA (radio). Through such efforts, CPB can enhance general audience programming for a range of audiences in formal and informal educational settings.

In a different approach to using existing resources, CPB provided funds to the coalition of Adult Education Organizations consisting of organizations that serve adults, such as American Association of Retired Persons, National University Continuing Education, and the National Library Association. CPB's funds will be used to develop ways to take existing programs and adapt them to the needs of adult learners in non-collegiate settings.

Through the CPB/ASC Project, made possible by a gift from The Annenberg School of Communications, CPB is providing a range of new resources for adults seeking a college-level education. The CPB/ASC Project provides support for projects that explore the application of the telecommunications technologies to the needs and goals of higher education. The Project provides support for projects in two different, though potentially complementary, categories. It can fund projects that result in "college level materials," that is, in television or radio programs which, coupled with appropriate print material, have the potential to stand as complete courses or to enhance existing traditional courses. It can also fund projects that seek to experiment with the application of technology to specific needs of the higher education community, ranging from improving classroom instruction to providing student support services.

In its first funding year, the CPB/ASC Project allocated a total of $11.8 million through contracts ranging from $250,000 to $2.4 million, for twelve projects. A sampling of the projects includes:

1. THE MECHANICAL UNIVERSE, developed by the California Institute of Technology, is an introductory physics course consisting of 26 half-hour programs, which presents the physics theories and the calculus needed to understand them. The project will include two different textbooks, one designed for science majors and the other for non-science majors.
2. CONGRESS: WE THE PEOPLE, produced by WETA in Washington, examines the operations and functions of the United States Congress. Developed in conjunction with the American Political Science Association, it alternates between exposition and case studies that illustrate the processes being examined.
3. GLOBAL UNDERSTANDING, produced by National Public Radio, consists of two radio/audio courses examining the political behavior of Western Europe and of China and Japan. In adddition, five supplementary models are being developed as materials to be used within existing courses.

In all, the twelve projects funded to date cover a broad range of subjects and are designed to appeal to the traditional and non-traditional student and to the general public. The CPB/ASC Project has demonstrated even in its first year the great potential to meet the public's need for and interest in higher education by taking advantage of the enormous flexibility of the electronic media.

Education for the Disabled and the Elderly

To the extent that the Corporation is successful in developing high quality television and radio programs which challenge the mind and receive wide distribution through the public broadcasting system, it is providing an invaluable resource to all Americans. This is especially true for the disabled and elderly since they are often denied access to other sources of continued learning. Through radio and television, these groups will share in a wide variety of educational resources which have previously not been available to them.

CPB has provided direct support to the disabled and the elderly through a variety of targeted efforts including:

a. FEELING FREE - a series of television programs for and about handicapped children;
b. RAINBOW'S END - a television series for the hearing impaired;
c. OVER EASY - a television series aimed at the concerns of older Americans.
d. CPB provides National Public Radio with funds to provide special services to the print handicapped via SCA (in FY 1983, $50,000).
e. CPB provides the Public Broadcasting Service (PBS) with funds to provide closed captioning for the hearing impaired ($200,000 in FY 1983).

Question: What, in your opinion, has been public broadcasting's impact in the entire educational arena?

Answer: One way to anlayze public broadcasting's impact on the educational arena is to examine what it has provided for those at the kindergarten through twelfth grade level, and then for those at the post-secondary level.

The public broadcasting system has been offering instructional services to local school systems since 1955. Today 80 percent of the public broadcasting system's licensees provide instructional programming for their local elementary and secondary schools. About one out of every three teachers uses television regularly in his/her classroom. These programs grow out of needs identified at the local level. Developed by teachers and broadcasters, the programs enhance the frequently limited resources available in the classroom in fields ranging from health and nutrition to math, art, and music. Each year an average of fifty-five different instructional series across all grade levels and content areas is offered by local licensees for their schools.

Building on the local need for instructional television, CPB created an Office of Education in 1974. After providing support for two major series, THINKABOUT and 3-2-1 CONTACT, CPB in 1979 enlarged its solicitation. To date it has provided approximately $6 million for fifteen major ITV programming efforts that are available to schools nationwide, at no cost, for a three-year period.

The public broadcasting system has had, since its inception, a natural interest in post-secondary education because many of its licensees are educational institutions. They have used their facilities in a variety of ways to provide services to college students. Their task has been made somewhat easier since, in 1981, the Public Broadcasting Service (PBS) created its Adult Learning Service. It feeds about seven courses each semester (three times a year) to member stations that serve about 400 colleges and universities. These institutions enrolled about 55,000 students in telecourses in 1982 alone, and the trend appears to be increasing. With the availablity of the first of the CPB/Annenberg courses in fall 1984, the options available to interested students will significantly increase.

Prior to the Annenberg grant, CPB sought to provide resources to the efforts underway at the local and national levels. It provided support, for example, to the Central Educational Network to start the first regional post-secondary council. When the PBS Adult Learning Service was launched, CPB provided funds to encourage station and student participation. With the resources of the CPB/ASC Project, the Corporation can now contribute more directly, and with a larger impact, to the opportunities available to Americans of all ages who wish to pursue a college-level education.

Finally, the informal educational arena ought not be ignored. Children and adults have access, through the public broadcasting system, to an amazing range of highly educational series such as NOVA, THE SHAKESPEARE PLAYS, ODYSSEY, COSMOS, LIFE ON EARTH, and THE ASCENT OF MAN, just to mention a few.

We know that watching such programs encourages some viewers to pursue additional learning either on their own or through colleges and universities. We have reports for instance, of local discussion groups being formed around the airings of THE SHAKESPEARE PLAYS. And we know that some of the enrollments in the courses developed around the COSMOS series resulted because viewers of the series became aware of the existence of college courses and were motivated by the television series to enroll in those courses.

Ultimately, of course, the total impact of public broadcasting's educational programs is impossible to measure. It is a national resource to which individuals in over 50 percent of all households in America turn at least once a week as they seek to be not only entertained, but also informed and enlightened.

PUBLIC BROADCAST STATIONS BUDGETS

Question: If a public broadcasting station could work with the same budget figures that a commercial stations has, what kind of additional services and improved programming might we expect to be developed?

Answer: The three commerial networks reported a combined total of $3 billion in revenues for 1982 from their national program schedules. If public stations were funded at the same level as commercial stations, they would seek to improve the quality and variety of programming offered to their communities of service. Local productions would be dramatically increased, followed by acquisitions from other public broadcasting stations through the public television station program cooperative operated by PBS or through National Public Radio. Also, acquisitions from private syndicators, regional networks and independent producers would be increased. Outside the area of programming, public stations would probably elect to increase their public awareness and promotion activities in order to achieve higher audiences for the increased programming, and public stations would make greater use of newer technologies to expand their services.

NATIONAL PUBLIC RADIO (NPR)

Question: Can you review for us what has happened to National Public Radio's attempt to take over UPI?

Answer: National Public Radio never attempted to take over UPI. NPR looked into the costs of such a venture and concluded that the liabilities would be too great a burden. No negotiations were initiated.

Question: You indicated in last year's testimony that the Corporation for Public Broadcasting was not involved. Is that still the case?

Answer: That is correct. The Corporation was never involved in NPR's exploration.

Question: Do you share board members with National Public Radio? If yes, have they been involved with the negotiations?

Answer: The Corporation does not share Board members with National Public Radio. Directors for the Corporation are appointed by the President with the advice and consent of the U.S. Senate. Directors for National Public Radio are elected and ratified by its station membership, which totals 262 public radio stations.

MAJOR PROBLEMS FACING PUBLIC BROADCASTING

Question: Other than the obvious problems, what do you see as the major problems facing the public broadcast system over the next five years?

Answer: The funding problem most affects public broadcasting since it controls the viability of the system, the quantity and quality of programming and the audiences which can be served. On the other hand, even in the absence of a funding constraint, the enterprise is facing the challenges of:

- Increasing the effectiveness of our already successful children's programming in each of the age groups - preschool, school age, and adolescent;
- Continuing to have reserved access to portions of the spectrum or new telecommunications channels for the public telecommunication mission;
- Developing telecommunications programming for instructional and educational purposes which use the emerging technologies, such as teletext and videotext, interactive cable, microwave, videodiscs, videocassettes and microcomputers, in conjunction with or to complement current broadcast technologies and programming; and
- Determining the interconnection technology which will be most appropriate in the 1990's.

EFFECTS OF CABLE ON PUBLIC BROADCASTING

Question: What effect will the rapidly developing cable industry have upon public broadcasting?

Answer: The number of homes which have cable television has increased dramatically in recent years as has the number of channels available to television viewers. At the same time, public television's share of the national audience has increased. Moreover, national data show that public television is more widely watched in cable households - both in basic and pay - than in homes that do not have cable. Part of this increase in cumulative audience can be attributed to the improved reception made possible by cable. However, the increase also demonstrates that, despite more program choices, public television attracts increasingly large numbers of viewers. It can be expected that as long as public television maintains diverse, high-quality entertaining and educational programming, it will continue to attract viewers.

Question: Can you discuss for us how your planning is responding to this challenge?

Answer: As part of its strategic planning process, the Corporation for Public Broadcasting is now preparing to update its Five-Year Plan. Designed to allow CPB to manage change on a continuing basis, the update will include a comprehensive review of the environmental characteristics which will affect public telecommunications over the next five years. Within this context, major competitive factors such as cable television will be examined to assess their impact on programming needs and the market served by public telecommunication's current system.

CPB REAUTHORIZATION

Question: Your FY '86 Budget will be the last under present authorizing legislation. What plans do you have concerning reauthorization?

Answer: We hope to be reauthorized for 1987 and beyond by the time we appear before your Committee again next year. Our ideal goal is to have new authorizing legislation passed before the end of the First Session of the 98th Congress. We have developed a process at CPB whereby all of the legislative issues to be considered in new authorizing legislation are being evaluated by the CPB Board's Planning and Legislation Committee. Likewise, NAPTS, representing the television licensees, and NPR, representing the radio licensees, are also engaged in a similar process. Our objective is to present a common front on a new reauthorization package to the Congress some time late this session in hopes of pursuading the authorizing Committees and the full Congress to enact such legislation before the first of next year.

Question: Will we see you next year?

Answer: We hope so.

CPB BOARD OF DIRECTORS

Question: In last year's testimony you were unable to speak about your experience with and your reaction to the reconstituted Board of Directors. Would you do so now?

Answer: The Public Broadcasting Amendments Act of 1981 calls for reconstitution of the Corporation's Board of Directors by attrition beginning October 1, 1983. However, the first Board vacancies after that date will occur in March 1984. Thus, we are unable to speak about our experience with and reaction to the reduction in Board size.

ADVERTISING EXPERIMENT

Quesiton: Have there been any new developments regarding the use of pay advertising on public stations?

Answer: The Advertising Demonstration Program (ADP), authorized by the Congress (47 USC, Sec. 1233) is currently in progress and will be concluded by June 30, 1983, as required by law. As the ADP is presently underway, it is really not possible at this time to draw any conclusions about matters such as the public's reaction to advertisements or its income-generating capabilities; the findings on the ADP will be reported to the Congress by October 1, 1983, as required by law.

Question: Has the Temporary Commission on Alternative Financing developed any suggestions that you would like discuss?

Answer: The principal finding of the Temporary Commission's Report on Alternative Financing Options is that none of the proposed alternatives to Federal funding which were examined can provide more than supplemental revenue for our nation's public broadcasting system. As a consequence, there appear to be no possible alternatives to sustained Federal funding. Certainly there are none that can assure the level of public broadcasting services which the Congress intended and the public now expects. The Temporary Commission's Report recommends that Congress "ensure that sustaining or bridging Federal funds are appropriated through the current authorization period and are continued until or unless adequate alternative financing is found." For financing to qualify as "adequate alternative financing," it must be based on the Federal funding principles which have been essential to preserving the noncommercial nature of public broadcasting. These principles - insulation, incentive, diversity, predictability, and sufficiency - together with long-range authorization and advanced year appropriations, form the unique character of Federal funding which any "adequate alternative" must continue.

Were one available, any alternative financing source must permit public broadcasting the freedom to create for the American people the kinds of educational, informational, and cultural services which would not otherwise find their way through commercial enterprises to the viewer and listener.

The findings of the Temporary Commission's Report point to the importance of the Federal government's commitment to assure that the American people continue receiving services comparable to those presently provided by our public broadcasting services.

"DIAL" MAGAZINE

Question: In last year's testimony you reported that "Dial" magazine "has earned no profits to date." Has that changed over the past year?

Answer: No, the DIAL has shown no profit at the end of FY 1982 and continues to show none. The Corporation has never had any direct or indirect involvement with the publication.

NON-CPB FEDERAL FUNDS

Question: The budget justifications do not reveal the additional funds for public broadcasting which are targeted through other programs and agencies. For example, The Department cf Eduation as well as the National Endowment for the Arts and the National Endowment for the Humanities also provide funds for programming and production. Does the Corporation give any consideration to these additional funds during its budgetary process?

Answer: CPB continues to receive research grants from the Department of Education, National Center for Educational Statistics, and these are programmed through our operating budget. With respect to program production, as a general rule CPB does not fully finance major productions, therfore, producers are encouraged to seek additional financial support from other sources, including the Federal government. CPB also works closely with the Endowments, particularly in program areas of mutual interest.

Question: Can you tell us how much the Corporation receives from each of these agencies in the current programming year?

Answer: The only funding which CPB receives in 1983 from the Federal government comes from the Department of Education, National Center for Educational Statistics, to study the utilization of public television or in-school instruction. For FY 1983, the amount of the NCES grant to CPB is $234,000.

PUBLIC BROADCASTING AUDIENCE SUPPORT

Question: According to the President's budget documents, data gathered from independent surveys indicates that 41 percent of the public television audience has family incomes greater than $20,000 and the need for Federal support would be unnecessary if each of these higher income viewers were to contribute just $6 or $7 to public broadcasting. Do you agree with this assessment?

Answer: In FY 1980, public television viewers contributed nearly $90 million to local public broadcasting stations through memberships, subscriptions, and auctions. Although it is difficult to determine the a number of contributors earning more than $20,000, it is believed that many fall into this category. To that extent, there is already an extremely progressive cross subsidy, in which middle- and upper-income viewers pay more than others for the service. The taxpayers generally assume that all viewers have an opportunity to experience the service. And the viewership statistics reflect a demographic pattern which nearly mirrors the entire U.S. profile. If all viewing households earning more than $20,000 were to pay an arbitrary $7, it might generate funds equivalent to the Federal support. The resulting increase, however, would be accompanied by a drop in the amount of income historically generated by memberships and subscriptions. And equally significant, the per capita cost of Federal support of this national asset is only $0.84.

The current method of Federal funding is based on general tax revenues and is progressive in nature. All taxpayers share the responsibility for supporting the outstanding educational, informational and cultural programs provided by public broadcasting, but the personal income tax system distributes the burden of payment more heavily upon taxpayers in the higher-income brackets. This means that individuals with higher annual incomes pay more for each hour they tune to public broadcasting than individuals with lower incomes.

Question: If your answer is yes, then if middle and upper income viewers could support public television with a contribution of just $7 a year, why should the taxpayer be asked to foot a substantial portion of the bill?

Answer: The preceeding answer addresses this point.

PUBLIC RADIO

Question: Page eight of the justifications indicates that National Public Radio is making a concerted effort to substantially increase the support it receives from the private sector. What is the percentage of private support which NPR currently receives?

Answer: At the end of FY 1982, NPR indicated that eleven percent of its total income was generated by its fundraising efforts.

Question: How much is NPR spending on its fund raising programs and what are its goals?

Answer: In FY 1982, NPR showed a total of $360,193 in expenditures related to its fundraising activities. Its goal for FY 1982 was $2.5 million. It raised $2.8 million. Its goal for FY 1983 is $6 million.

Question: How many public radio stations are currently in operation?

Answer: The latest figures (March 1983) indicate that 262 public radio stations have been qualified for CPB support.

Question: Page eight of the justifications state that, due to prior emphasis on increasing the population served by public radio there will be a projected increase of 38 stations that will become qualified for financial assistance. By what criteria does the Corporation qualify these stations?

Answer: The radio qualification criteria are as follows:

1. A minimum of five full-time staff excluding clerical and janitorial positions. Minimum staff must not be funded on grants, and three of the positions must be classified as managerial or programming related.
2. Adequate, professionally-equipped production and control room space.
3. Adequate office space.
4. A minimum non-Federal budget of $115,000 in FY 1983.
5. A program schedule primarily designed to serve a general audience as opposed to solely in-school instructional or religious programming.

ADVERTISING EXPERIMENT

Question: Has the Corporation changed its position on the feasibility of using paid commercials as a possible source of revenue?

Answer: The advertising experiment, as called for in the Public Broadcasting Amendments Act of 1981, is being conducted by the Temporary Commission on Alternative Financing, chaired by Commissioner Quello of the Federal Communications Commission. The results of the experiment will not be forthcoming until the Temporary Commission forwards its study to Congress on October 1, 1983. The Corporation will continue to cooperate and assist the Temporary Commission in evaluating the results of the Advertising Experiment.

ADVERTISING IN FOREIGN PUBLIC BROADCASTING

Question: I understand other countries do this with some success. Can you tell us anything about this?

Answer: The Canadian Broadcasting Corporation (CBC) has allowed some on-air commercial advertising. CBC's commercial advertising provides roughly 17-20 percent of total operating funds annually.

More important than the revenue potential, however, is the current initiative to discontinue selling air time for commercial advertising on CBC, based on the need to develop a strong alternative broadcasting system capable of producing Canadian programs of quality and character. The debate focuses on the impact of the system's need for advertising revenue: that it results in programming options that are not in the best interests of Canadians.

This finding mirrors the conclusions of Lord Annan's Committee on the Future of Public Broadcasting in England:

> "The BBC firmly rejects advertising as a means of financing public service broadcasting, the essence of which is that the public should be the only master. A broadcasting service which carries advertisements must have obligations to the advertisers and their shareholders. Since advertising rates reflect the size of the potential audience, economic pressure is towards the programmes which attract the largest audiences at peak hours. Minority audiences are bound to suffer unless protected."
>
> "When commercial television was first contemplated in this country one of the arguments advanced to justify it, was that the BBC would still be there to set high standards. It would be ironic if the resulting achievements of ITV were now to be used as an argument for forcing advertising upon the BBC."

There are a number of countries in which there is a national system, but advertising is permitted, such as France, Germany, the Netherlands and New Zealand. We have little data on these systems, although we know French television obtains approximately 25 percent of its revenue from advertising and T.V. New Zealand earns 60 percent of its revenues from advertisements.

No advertising is accepted by public broadcasting corporations of Australia, Sweden, Norway and Denmark. In Australia, there has been discussion of introducing advertising, although in some quarters of that country concern has been raised that advertising would turn the system from a nonprofit corporation into a loss-making corporation.

CPB ADMINISTRATIVE COSTS

Question: You are projecting $5.2 million for administrative costs in the fiscal 1986 advance. This is identical to your fiscal 1985 estimate. What do these funds support? Just touch on them briefly here and let me have a breakdown of how these funds were spent last year and your projections for fiscal 1984 — 1985 — and 1986.

Answer: The funds in this category fund two basic activities: System Support Expenses in the area of educational/instructional broadcasting, human resources development, and planning and future policy development. The second activity for which CPB funds are allocated is administrative expenses, i.e., staff salaries, travel, rent, etc. It is impossible to predict allocations for 1985-1986 since that will in large measure be contingent upon the Board's willingness to apply other than appropriated revenue. However, a breakdown of these costs are as follows:

(in millions of dollars)

	FY1982 Actual	FY1984 Actual	FY1985 Estimate	FY1986 Estimate
Education	0.9	1.0	-	-
Human Resources Development	3.8	2.0	-	-
Policy Dev. & Planning	1.8	0.9	-	-
Other	0.2	0.1	-	-
Subtotal	6.7	4.1	-	-
Administration	7.5	5.7	-	-
Contingency	-	0.3		
Total	14.2	10.1	5.2	5.2

CORPORATE UNDERWRITING

Question: What percentage of your budget is derived from corporate underwriting?

Answer: CPB has not received any corporate underwriting. As a general rule, underwriters make their grants directly to the program producer.

NON-FEDERAL FINANCIAL SUPPORT

Question: Given the continuing scarcity of Federal support what steps have your taken to increase the amount of funds you receive from the private sector?

Answer: Recently CPB has initiated some important activities to increase private sector support for public broadcasting. Last June, CPB's Board of Directors authorized a $5 million Challenge Grant program to help strengthen public broadcasting's support from viewers and listeners. The purpose of the Challenge program is to encourage radio and television stations to raise additional member/subscriber support by providing matching monies - one CPB dollar for three new subscriber dollars. CPB is also attempting through its new development efforts to increase the number of foundations and corporations that underwrite national programming. At the same time, local stations and the national organizations, the Public Broadcasting Service and National Public Radio, are making considerable efforts to stimulate more private sector support.

CPB BOARD OF DIRECTORS

Question: No reference is made in your budget document regarding the fees charged by the Corporation's Board of Directors. In the past, as you know, this fee was $100 a day along with full reimbursement for travel and hotel expenses. What is the current fee charged by Board members?

Answer: Board members' current rate of compensation is $150 per day, as provided by the Public Broadcasting Amendments Act of 1981.

Question: How much - overall - did the Board spend last year?

Answer: The 15-member Board of Directors was paid $58,350 in compensation and expended $85,500 in travel and travel-related activities.

Question: Please let us have a detailed breakdown of the Board's expenses last year.

Answer:

FY 1982
For the Year Ending
September 30, 1982

Board Compensation	$ 58,350
Board Travel	85,500
Meeting Facilities and Catering	11,522
Printing and Reproduction of Board Meeting Materials	3,707
Advertising - Public Notices	1,835
Subscriptions	218
Transportation & Storage	56
Delivery, Telephone & Telegraph	1,376
Staff travel associated with Board Meetings	346
Miscellaneous Supplies	119
TOTAL	$ 163,029

ACTION

STATEMENT OF THOMAS W. PAUKEN, DIRECTOR

ACCOMPANIED BY:
BETTY BRAKE, DEPUTY DIRECTOR
MARK BLITZ, ASSISTANT DIRECTOR FOR POLICY AND PLANNING
LOWELL B. GENEBACH, JR., DIRECTOR OF THE BUDGET DIVISION

PREPARED STATEMENT

Senator WEICKER. Our next witness this morning is Thomas Pauken, Director of ACTION.

Mr. Pauken, will you please introduce your colleagues and proceed with a summary of your prepared statement. Your statement in its entirety will be placed in the record.

[The statement follows:]

STATEMENT OF THOMAS W. PAUKEN

Mr. Chairman, I am here today to present the fiscal year 1984 budget for ACTION, the national agency mandated by Congress to support the work of 400,000 volunteers throughout America. For fiscal year 1984, we are requesting an appropriation of $109,730,000. ACTION is committed to achieving its legislated goal of promoting voluntary service to, for, and by the community in which the volunteers serve. Two years of experience with ACTION's programs convinces me that our approach of fostering self-help and self-reliance is more vital than ever.

ACTION's programs are about self-help: finding ways for people to do as much as possible for themselves and each other without having to depend on the Federal Government for long-term assistance. Our programs aim to enable people to enhance their self-reliance by offering them opportunities to be productive, to be enterprising, and to use the skills and understanding that they have gained over a lifetime.

Last year ACTION's volunteers contributed nearly 350 million dollars' worth of direct volunteer services to their communities. This figure does not take into account the significant hidden value of volunteer presence in a community in the generation of local, State, and private dollars, the recruitment of additional local volunteers, or the long-term effects and tax savings resulting from private sector solutions to social problems.

In formulating the budget for fiscal year 1984, we have made every effort to keep program expenditures at or near their current levels, while reducing our overhead costs, within our overall appropriation request. In fiscal year 1984 ACTION will continue to focus on initiatives which integrate our programs with on-going volunteer efforts in the private sector, as well as on initiatives designed to amerliorate the problems of youth. Emphasis will again be placed on building the support of corporations, national voluntary organizations, State and local government agencies, churches and other organizations which have an interest and concern in the administration of volunteer programs. Several notable successes in drug abuse prevention, literacy, and Vietnam veterans programs will be the cases on which our 1984 partnership activites will build.

Youth initiatives will likewise continue to be integrated into major program activities, with particular emphasis on programs that focus on youth-related problems and/or the potential impact of young people as volunteers in addressing problems such as delinquency, drug abuse, illiteracy, and the plight of runaways.

Program highlights for fiscal year 1984 include the following: Our flagship programs, are, of course, the Older American Volunteer programs. In fiscal year 1984, we plan to increase the number of retired senior volunteers by 12,000 without any increase in proposed 1984 funding, and to keep the present numbers of Foster Grandparents and Senior Companions. All of these programs will continue to utilize the remarkable skills and talents of citizens over age 60 to meet community needs. Foster Grandparents will continue to serve children with special needs. Senior Companion program volunteers will emphasize service to the frail elderly, helping them maintain independent living and deferring, preventing, or reversing institutionalization. RSVP will continue to provide community services in the areas of health, nutrition, community service, refugee and runaway assistance, child abuse, and drug abuse prevention.

Service-Learning programs will once again recruit high school and college student volunteers to assist in community efforts to alleviate poverty and related problems. The National Center for Service Learning will provide information and technical assistance, and the Young Volunteers in ACTION program will offer youth between the ages of 14 and 22 the opportunity for part-time nonstipended service. This program now numbers 75 projects and is enabling thousands of youth to serve their communities productively.

The activities of the Voluntary Citizen Participation program will include working with State governments, private voluntary organizations, and citizens to expand the scope of voluntary community work. ACTION's Volunteer Demonstration program grants will continue to support the development and testing of national and local projects by private organizations to mobilize and train volunteers to combat drug abuse, illiteracy, and the problems of runaway and homeless youth. The efforts of our grantees under this program have been quite successful. ACTION's work in drug abuse prevention, for example, has become a central part of the Government's overall drug abuse strategy.

I will close by pointing out that the fiscal year 1984 budget proposed for ACTION is consistent with and centrally important in implementing our common goal: to help alleviate social problems humanely and cost effectively. ACTION, as the national volunteer agency, will continue to devote its unique expertise and experience to the task of promoting voluntary activity. We have made extensive reforms in our programs to insure that they will operate efficiently, and at a small cost to the taxpayer. Yet, for this small cost, we will be able to continue to stimulate a broad range of services to help meet many pressing human needs.

INTRODUCTION OF ASSOCIATES

Mr. PAUKEN. Thank you, Mr. Chairman.

To my immediate left is Mrs. Betty Brake, who is the Deputy Director of ACTION and who previously served as Director of the Older American Volunteer programs; to Mrs. Brake's left is Dr. Mark Blitz, who is the Assistant Director of ACTION for Policy and Planning; and to my immediate right is Mr. Lowell Genebach, who is Director of the Budget Division of the Agency.

SUMMARY STATEMENT

It is a pleasure to be here today to testify and to submit the fiscal year 1984 budget for ACTION, which is the national volunteer agency mandated by Congress to support the work of some 400,000 volunteers throughout the United States.

For this fiscal year we are requesting an appropriation of $109,730,000.

We are committed to achieving our legislative goal of promoting voluntary service. In the 2 years that I have been associated with ACTION I have become more than ever convinced that the approach of fostering self-help and self-reliance by providing some catalytic Federal support to encourage voluntarism in our society is a very worthwhile objective of the Federal Government and of our Judeo-Christian ethic.

I would like to, if I could, for just a moment give a few examples of some of the things that have impressed me during the past 2 years.

We have incorporated in the overall statement information concerning all of our programs, but the thing that I have been most impressed by is the tremendous core of support that the older American volunteers provide. The principle of the extended family within which Retired Senior Volunteers, Senior Companions and Foster Grandparents work so well has produced some remarkable results. The tremendous support that these programs receive from State and local governments, as well as from the private sector, indicates that these Federal programs are so effective and so good that they merit additional support at the local level.

I am reminded of a situation that I saw in Denton, Tex., where Foster Grandparents were working with severely physically handicapped, nonambulatory young people and mentally retarded youth. The relationship that these grandparents have developed with the children has resulted in their becoming almost real grandparents to these kids. They were able to do remarkable things by reaching out and helping young people who need the special kind of love and affection the Foster Grandparents provide.

VIETNAM VETERANS' LEADERSHIP PROGRAM

In addition, I am reminded of a program that we said at the early stages of our administration we were going to get started, even though some cynics that said we couldn't make it happen. We successfully initiated the Vietnam Veterans' Leadership program, or VVLP.

In your own State we have an outstanding program chaired by Max Patterson. The executive director of that program was recently given a prestigious press award in the State of Connecticut for his work on behalf of Vietnam veterans. The idea of the program is for successful Vietnam veterans to band together to help some of our less successful veterans.

Not too long ago I was in northern California where I visited one of the 41 VVLP programs we have around the country. There they recounted to me the story of a Vietnam veteran who had been 100 percent disabled and who has done nothing but sit in front of a TV set ever since he got back. They got him involved in this program and he's using the phone to call and get jobs for other veterans. Within a very brief period of time he has gotten nine jobs for Vietnam veterans. Through his participation in VVLP he feels he is doing something worthwhile and once again making a positive contribution.

We are very proud of this self-help program.

OLDER AMERICAN VOLUNTEER PROGRAMS

In terms of our Older American Volunteer programs, I think they work very well. We are particularly impressed with the fact that in the Senior Companion program low income elderly are helping other elderly stay in their own homes.

A recent story in the Wall Street Journal focused on the need and desire of older Americans to stay in their own homes and apartments rather than being forced into institutionalized settings. That is what the Senior Companion program does so well.

We believe this principle will grow in the 1980's as people realize that the emphasis ought to be on encouraging the elderly to maintain independent living rather than having them go into an institutionalized setting. In some instances obviously that is necessary. But where it is not absolutely necessary, with the help of the Senior Companion or Retired Senior Volunteer, or a combination of both, we think it makes a lot more sense in terms of the real needs of individuals, as well as economic sense, to encourage people to stay in their homes.

DRUG ABUSE PREVENTION

In the area of our new initiatives, we're very proud of a joint ACTION-White House drug abuse program involving the pharmacists against drug abuse, which has begun in New England and will soon be expanding into Connecticut. With a little catalytic funding and the support of people like Michael Landon, executive producer of "Little House on the Prairie" and the chief spokesman for this program, every pharmacy in New England is making available to young people and their parents up-to-date material on the dangers of drug and alcohol abuse. A toll-free number for further information, which ACTION has helped support, is also provided.

We are proud of that program and the drug abuse prevention initiative which emphasizes education so that young people who drift into the drug culture have the opportunity to learn about the dangers of drugs. Hopefully, with the knowledge and the support of parents and their own peer group, they will be able to avoid the dangers of drug use and abuse.

YOUNG VOLUNTEERS IN ACTION

Not too long ago I visited an inner city Young Volunteers in ACTION project in Los Angeles. There a black teenager who started out as a volunteer in this program is working with the paramedics and will soon go from being a volunteer to being a full-time paramedic. It was the opportunity of being a Young Volunteer that allowed her to get a step up leading to a job opportunity in Los Angeles.

FOOD BANKS

In addition, we have very strongly emphasized support of food banks throughout the United States and are funding more than 40 food banks. We have been pleased to be able to help some of those food banks get going because it is so important, with the tremendous waste in our society, that food be made available to people in need, particularly senior citizens.

LITERACY PROGRAMS

There are two other areas that I would briefly like to mention. We are very pleased to be working closely with Literacy Volunteers of America and the Laubach Literacy International volunteer program in encouraging literacy programs which utilize volunteers to a greater extent to help meet this serious problem, particularly with the young.

As an attorney in private practice a number of years ago I represented a lot of young people who got themselves into trouble with the criminal justice system. Often I found that the circumstances that lead up to the problems they were having with the law were either based in family difficulties, problems of drug abuse, or finally, the inability to read and write. These were young people with 10th or 11th grade educations, but with real reading and writing ability closer to lower grammar school level.

I think encouraging young people to be literate—encouraging them to develop basic skills—is extremely important. Otherwise we are simply tying the hands of young people behind their backs and telling them to go out and compete in society without the necessary skills.

PROGRAMS FOR RUNAWAYS

Finally, I would just mention our support, in the area of runaway youth, of outstanding organizations such as the National Youth Work Alliance and Covenant House as they expand their runaway programs into different communities. Both organizations have been extensively written up in a positive fashion by national organizations.

Rather than reinvent the wheel, we have tried to identify and support worthwhile local not-for-profit organizations in a variety of intiatives to meet the needs of people in our society, particularly young people and the elderly. Through our Older American Volunteer programs, we can have a positive influence in the lives of mentally retarded and physically handicapped people and the infirm elderly.

I would be happy to respond to any questions you might have, Mr. Chairman.

REDUCTION IN FUNDING FOR 1984

Senator WEICKER. Mr. Pauken, I thank you very much for your statement in describing both the activities and the aspirations of your agency. Maybe you would like to reconcile that statement with the fact that the administration is asking for a $19.6 million cut. That's almost a 20-percent cut.

Mr. PAUKEN. Well, in the request for 1984 we do not cut the Older American Volunteer programs at all.

Senator WEICKER. That's not what I asked you. I asked you about a $20 million cut.

Mr. PAUKEN. I understand, Mr. Chairman. The cuts are proposed principally in program administration and in VISTA, leading to a phaseout of the VISTA program at the end of the current fiscal year. The reduction in program administration in 1984 basically assumes two things. Assumption No. 1 is that VISTA will be phased out. Assumption No. 2 is a substantial cut in the overall ACTION staff levels, which would, practically speaking, require the elimination of the State offices.

RATIONALE FOR REDUCTIONS

Senator **Weicker**. Why are we doing both of those things, phasing out VISTA and the closing of the field offices?

Mr. **Pauken**. In general the reduction in ACTION's budget request is in line with overall administration policy with regard to the efficiency and cost effectiveness of Federal programs and their administration.

If I could, I would prefer to address the two issues separately. With regard to VISTA: the cost of a VISTA volunteer is more than $7,000 per year as compared to a Retired Senior Volunteer, or a Young Volunteer in ACTION, both of which cost under $100, and a Senior Companion or a Foster Grandparent, which cost approximately $2,500 each.

From a cost effectiveness standpoint we think there are other programs that work better than VISTA, such as models based on the Retired Senior Volunteer program in which we provide some administrative support and recruit nonstipended volunteers.

But obviously there is a division within the Congress in terms of the VISTA program. We have tried to make the program as effective as possible given the fact that Congress has decided to continue it for the time being. I think we have turned the program around. There were significant abuses and a heavy politicalization of the program a few years ago. We have concentrated on putting VISTA volunteers into such areas as food banks, literacy programs, runaway programs, drug abuse prevention programs, and programs assisting the elderly and the handicapped.

We do believe that we have alternatives other than VISTA to accomplish the same objective.

With regard to program administration, obviously the assumption—and we are discussing it on an ongoing basis with the Office of Management and Budget—demands a closing of the State offices, which the Congress did not accept in fiscal year 1983, as well as a closing of the VISTA program.

If either one or both of those things did not happen, obviously it would be very difficult to operate. But those are the assumptions which are built into the figure of $18 million for program administration.

COMPARATIVE COSTS OF PROGRAMS

Senator **Weicker**. If VISTA volunteers put in 50 hours a week or so, and I understand that this is fairly common, the hourly cost of their services is comparable to the cost of Foster Grandparents. If that is comparable, why wouldn't it make sense to keep both these programs rather than eliminating one and keeping the other fully intact?

Mr. **Pauken**. I think that one of the greatest assets of the Older American Volunteer programs, particularly the Foster Grandparents and Senior Companions as well as RSVP, which is a nonstipended program, is that they have been able to generate tremendous State and local support as well as private support, and traditionally VISTA has not been able to do that as much. We are trying to move VISTA in a different direction.

But again, considering the costs associated with VISTA, we think it makes more sense to go in a different direction. We think the model that I mentioned to you of nonstipended volunteers with a small administrative budget makes more sense. That approach would work in a variety of different areas. But obviously there can be disagreement on that issue.

ADMINISTRATION POLICY ON VISTA

Senator WEICKER. Was the original request of the agency to continue VISTA to OMB?

Mr. PAUKEN. The original request of the agency was to continue and build on the Older American Volunteer programs. The administration position on VISTA has been the same since 1981, before I was even nominated and confirmed. That position has not changed.

Senator WEICKER. Which is what? To eliminate VISTA?

Mr. PAUKEN. Which is to eliminate VISTA.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have other questions for response to the record. Thank you very much, Mr. Pauken.

Mr. PAUKEN. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Question: Your request to eliminate the VISTA program would result in an $11.8 million reduction in your budget request for FY '84.

Why are you also requesting a $7.7 million reduction in your program support budget. This appears to be a disproportionately high cost in program support. Please explain how this $7.7 million cut would be distributed?

FOLLOW-UP: Would this cause the closing of your State offices?

What would the overall affect upon the mandate of the ACTION Agency be if Congress approved the $7.7 million reduction in your program support budget?

Answer: The $7.7 million reduction in program support is not directly related to the elimination of VISTA from ACTION's FY '84 budget request. This reduction is the amount necessary to reach ACTION's budget mark of $109,730,000. This amount is calculated based on two assumptions: that VISTA will be eliminated and that the Agency will reduce to the Full-Time Equivalent (FTE) personnel level of 375 mandated by OMB.

The $7.7 million cut is more directly related to the reduction in FTE's than to the elimination of VISTA. This cut will require a reduction of 115 FTE's (the same as compensable work years) which translates into a reduction of about 144 permanent employee positions. Program Operations, the state and regional office positions, will lose 137 positions. Program Services, headquarters and general staff support positions will lose 7 positions. The disparity between these two activities is primarily a result of extensive reductions in Program Services in the last several years.

The meaning of a reduction of 137 positions in Program Operations is that ACTION will need to close every state office. The regional offices will remain with slightly increased staffs.

If Congress approves the $7.7 million reduction in program support, it obviously means that ACTION will greatly reduce the services it now delivers to project sponsors and its monitoring efforts. Within the confines of its reduced budget ACTION will endeavour to carry out the mandates of all remaining ACTION programs.

Question: It is my understanding that at the end of FY'82 the ACTION Agency had 583 filled positions. By the end of February 1983 there were 552 filled positions -- a loss of 31 positions.

Can you tell us where these 31 positions came from?

Answer: These positions came from a combination of the result of the headquarters reduction-in-force (RIF) and attrition of people leaving the agency on their own. Attached is a list of 31 positions vacated in January and February 1983. Some of these positions lost due to attrition may be filled later in the year if deemed essential. These 31 positions lost by the end of February are only part of the number ACTION needs to reduce its work force to the 490 FTE number mandated by OMB. It can be seen from the list of the 31 positions that none came from RIFed field office positions; this was in compliance with the wishes of Congress.

1. DO/HQ/Office of the Director - Secretary Typing
2. DO/HQ/Office of the Director - Clerk Typist
3. DO/HQ/Operations Staff - Secretary Typing
4. DO/HQ/Oprations Staff - Budget Analyst
5. DO/VISTA/Dep. Associate Director - Deputy Director
6. DO/VISTA Branch - VISTA Program Specialist
7. DO/VISTA/YVA - Secretary Typing
8. DO/OAVP/RSVP Branch - Program Specialist
9. ORC/Public Affairs Branch - Editorial Clerk Typist
10. ORC/Public Affairs Branch - Public Affairs Specialist
11. ORC/Public Affairs Branch - Public Affairs Specialist
12. ORC/Public Affairs Branch - Supervisor Public Affairs Specialist
13. ORC/Public Affairs Branch -Photo Services Assistant
14. OPP/Evaluation Division - Evaluation Specialist
15. Admin/Office of the Director - Special Assistant
16. Admin/Admin. Services/Director - Management Analyst
17. Admin/Paperwork & Mgmt. Branch - Supvr. Employee Development Specialist
18. Admin/Office of Personnel Division - Labor Relations Specialist
19. Admin/Personnel Staff & Admin. Branch - Personnel Staffing Specialist
20. Admin/Employee Devel. & Training Branch - Supervisory Employee Development Specialist
21. OVL/Office of the Director - Special Assistant

22. OVL/Technical Asst. Director - Volunteer Citizen Participation Program Specialist
23. OVL/Technical Asst. Director - Mini Grant Program Specialist
24. CM/Accounting Division - Voucher Examiner
25. CM/Accounting Division - Accounting Technician
26. CM/Contracts & Grants - Procurement Clerk
27. CM/Office of the Comptroller - Financial Manager
28. Admin/Office of the Director - Secretary Stenography
29. OD/Director ACTION - Staff Assistant
30. OPP/Office of Director - Clerk Typist
31. DO/OAVP/RSVP Branch - Clerk Typist

Question How has this affected your function?

Answer: It would be disingenuous to state that the loss of these positions has not affected the functions of the ACTION Agency. We have, however, several constraints we must consider in addition to how such loses affect the function of the Agency. First is the level of Program Support funds appropriated by Congress. The current level of funding in FY 1983 is based on a personnel number of 509 FTE. If the Agency were to retain 583 employees throughout FY '83 there would not be funds to pay their salaries no matter how much other savings were achieved. This would then result in a massive furlough and devastation of employee morale. Second is the fact ACTION must achieve an FTE number mandated by OMB. Our FTE level for FY '83 was 509 when we submitted our budget request and received $25.8 million in Program Support funds. ACTION proposed to reach this low number by a RIF since attrition would not achieve such a reduction. ACTION's RIF would have concentrated on eliminating field office positions, a point of view echoed in the Grace Commission's Report and in discussions with OMB. Congress, however, forbad ACTION to conduct the field portion of its RIF. The headquarters RIF was carried out but the reduction of both the RIF and attrition will not be sufficient to reach the OMB FTE number. OMB has responded to our appeal for a higher FTE number by lowering our FTE number for FY 1983 to 490. ACTION is truly in a position where it cannot satisfy OMB and Congress, but will follow Congressional instructions not to reduce our field personnel.

Question: You now propose the reduction of an additional 144 positions. Where will they be taken from?

FOLLOW UP: How do you plan to adjust your headquarters staff to the loss of additional positions?

Answer: The reduction of 144 positions is proposed to be taken by reducing Program Services (headquarters and general staff support) by 7 positions and Program Operations (state and regional offices) by 137 positions. It is the position of OMB and the Grace Commission that ACTION's field office structure is not necessary for efficient operating of our programs. The 137 positions would come from the closing of all state offices (with a few program officers added to regional offices). ACTION is aware of the position of Congress on the closing of state offices in FY 1983 and has explained it to OMB.

Our headquarters staff (Program Services) cannot be adjusted to reflect a greater loss than 7 positions even if Congress continues to forbid a field RIF. ACTION conducted a massive RIF in FY 1982 affecting headquarters and another smaller headquarters RIF in FY 1983. We are at the point where as an independent agency we cannot operate without headquarters staff support to ensure grant awards and renewals (so Foster Grandparents can receive their checks for example) and other day to day operations. Reduction in field offices will not mean a cessation of day to day operations but technical guidance, inspection visits by program officers to ensure proper use of federal funds, and other such duties will be greatly reduced.

Question: If Congress decides to continue the VISTA Program, what funding level would be necessary to continue a current level of services and volunteers?

Answer: In order to continue the VISTA program at the current level of service and volunteers the funding level would need to be $11.8 million.

Question: How many VISTA volunteers are involved in Food Bank projects? What is ACTION doing in the area of Food Banks?

Answer: The ACTION agency has made a major commitment of time and resources to help the hungry. We have promoted the idea of food banks among other agencies in the Federal government; helped stimulate the Agriculture Department release of surplus products; helped support increased involvement of the private sector and directed some of our own volunteer resources to helping the hungry.

Several units of the agency are involved in this effort - the Director's office, the Office of Policy and Planning which initiated our activity, the Retired Senior Volunteer Program (many of whose volunteers are involved with food banks and gleaning), the Young Volunteer in ACTION program, and VISTA.

One hundred and forty-two VISTAs are presently serving in food banks. We believe this exemplifies our use of VISTA to provide direct services to the poor. Indeed, the use of VISTAs in food banks is a new priority established in this administration. This new and highly desirable use of VISTAs is, however, only part of our overall commitment to the hungry.

VISTA currently has 142 volunteers assigned to forty food-banks and foodcooperatives across the country involved in activities related to production and distribution of foodstuffs to low-income individuals and community groups of the poor. Volunteers assigned to food banks or distribution programs solicit foodstuffs from donor corporations, wholesalers and retailers, coordinate transportation arrangements, provide outreach and community awareness by informing individuals and low-income community groups of the availability of food supplies, monitor distribution standards, and provide administrative support to food bank operations. Volunteers assigned to food cooperatives provide technical assistance to low-income, small farmers in more efficient crop and livestock production and marketing techniques, promote "community gardens" efforts in urban areas, and coordinate the collection and distribution of gleaned foods that cannot be accessed by harvest machinery to low-income individuals.

Question: How have the VISTA Volunteers impacted upon the hardship caused by the extended recession?

Answer: VISTA Volunteers are participating in a broad range of activities which directly address the hardships caused by recession.

As stated in the previous answer, VISTA currently has the 142 volunteers assigned to forty food-banks and food-cooperatives across the country involved in activities related to production and distribution of foodstuffs to low-income individuals and community groups of the poor. For details on ACTION's food bank activities please refer to the last question and answer.

In addition to fighting hunger ACTION's VISTA volunteers have been active in other recession-related areas. VISTA currently has approximately 250 volunteers assigned to 55 projects working in the areas of job training, job placement, and job development. Additionally, over 300 VISTA Volunteers are assigned to 63 projects working in the area of literacy, with primary emphasis on adult literacy efforts. The literacy activities are geared toward providing the most basic skills needed in making young people and adults employable in the job market, and in enabling individuals to obtain G.E.D. certificates. VISTA Volunteers recruit and train individuals from the community to provide regular tutoring services to low-income individuals, including offenders and ex-offenders and potential dropouts. ESL (English as a Second Language) classes have been established for recently-arrived refugees. Corporate donors are solicited for books, materials, and financial resources needed to institutionalize the projects.

Volunteers working with the jobless are involved in job readiness and training programs, vocational counseling activities, development of "lease-a-teen" programs to provide part-time summer employment for low-income youth, establishment of community job banks or "job fairs" which link potential employers with those needing jobs, and technical assistance to small neighborhood businesses to help expand their capacity and ultimately the number of employees hired.

Approximately forty (40) VISTA Volunteers are currently assigned to eleven (11) projects which provide support to the homeless. Additionally, approximately sixty (60) volunteers are assigned to twenty-one (21) projects providing emergency shelter and counseling services for youthful runaways. Ninety (90) volunteers are assigned to twenty-nine (29) domestic violence projects many of which provide emergency shelter and counseling services for battered adults and children.

VISTA Volunteers working on problems related to the homeless identify and coordinate emergency shelter services, and provide crisis counseling and information and referral services regarding available resources for emergency shelter facilities and help to establish "soup kitchen" operations. Volunteers are involved in public awareness activities to publicize the availability of shelter facilities, and in identification of low-cost permanent housing within the community.

Question: How much more money would have had to be expended for emergency relief if VISTA was allowed to fold its tents last year?

Answer: Assuming an orderly phase out of VISTA had been approved, we could have included provisions for such programs as RSVP and YVA to focus greater resources on emergency situations. Since food bank operations accounted for about 10% of all FY '82 VISTA outlays, we estimate that about $1.6 million (FY '82 VISTA budget: $16 million) might have had to be added to the RSVP, YVA, etc. budget if the same level of emergency relief was to be maintained.

Question: Have you done a follow-up on the volunteers that have been members of VISTA over the years? What effect has the VISTA experience had upon their lives and indirectly upon the human resources wealth of this country?

Answer: When our administration came into office in 1981 there were no studies on the career paths of former VISTA volunteers available.

We understand that during VISTA's fifteenth year anniversary celebration in 1980 efforts were made to contact former volunteers and that some exchange of information occured. However, upon checking, we were not able to find any such information.

It is also our understanding that an organization the "Friends of VISTA", headed by a former VISTA employee, has compiled a study of former volunteers. ACTION would be interested in obtaining the "Friends of VISTA" study should your committee be given a copy.

Although no recent studies on former VISTAs have been conducted or are available to the Agency, earlier evaluations, as well as informal feedback provided by ACTION field staff, indicate that many have chosen careers in the "helping" professions or public service.

Question: Please explain your literacy initiative? Would you say that this is a cost effective initiative?

Answer: ACTION and B. Dalton Bookseller have formed a partnership to support the Literacy Management Training Project (LMTP), a joint effort of Literacy Volunteers of America and Laubach Literacy, the two leading literacy volunteer groups in the U.S. The purpose of the LMTP is to produce a management-training package for use by volunteer literacy groups around the country. Approximately two thirds of the funding is being provided by ACTION, with around one third coming from B. Dalton. The total cost of the project will be $60,827. In FY'84 ACTION will continue to support these activities; will increase the commitment of RSVPs and YVAs to literacy programs; and will fund new projects in the area of literacy. This initiative is clearly cost-effective.

Question: I understand the age distribution of these young volunteers is between 14 and 22. At what age level are you getting the greatest response?

Answer: From discussions with the project directors it is estimated that approximately 80% of the volunteers are 18 and under.

Question: Has ACTION been able to shift volunteer services to meet the needs of local service programs that have lost federal funding? (i.e. loss of CETA employees)

Answer: All of ACTION's major programs respond to local community needs. These needs are made known to ACTION primarily through the funding requests which are sent in by potential grantees all around the country. In particular, the Retired Senior Volunteer Program which represents the largest number of ACTION volunteers, places volunteers in a wide variety of local programs. Whether the local communities and organizations placing RSVPs or requesting other assistance are directly responding to lost federal funding or, rather, to other needs is something ACTION cannot determine.

Question: It is my understanding that over the past year, ACTION has placed emphasis on volunteer initiatives benefiting youth through the use of the Older American Volunteer Program.

In view of the increasing number of older disabled Americans that will require community based long-term care services, what plans do you have to focus on this problem -- in addition to your current efforts under the Senior Companion Program?

Answer: In addition to SCP, ACTION's RSVP volunteers are active in the long-term care area.

IN FY'82, 39,000 RSVP volunteers across the country were serving in long-term care. An additional 5,500 RSVP volunteers were projected by local projects to be serving in this area in FY '83. Their activities include escort services, transportation to medical and hospital appointments and to shops, telephone reassurance, periodic visits in support of or follow-up to the care provided by public health nurses and Senior Companions.

Question: A. How much funding was devoted to Youth Initiatives through the Older American Volunteer Programs?

Answer: No funds were expended from the Older American Volunteer Programs for youth initiatives such as Young Volunteers in ACTION. However, all Foster Grandparents and many RSVP's are working with youth.

Question: Have the reductions in the various social service programs affected the demand for ACTION older volunteers? If yes, has the demand been greater for any one of the programs than another?

Answer: It is likely that some increase in demand for older volunteers, particularly RSVPs, has resulted from cutbacks in other social programs. However, there has been no large increase in funding proposals received by OAVP during the past two years.

Question: Over the past two years there has been considerable discusion about the transfer of the Older American Volunteer Program to the Administration on Aging. For the record -- do you still oppose this transfer?

Answer: Absolutely. We are concerned with Older Americans principally as a productive resource. The Administration on Aging, is concerned with service to the dependent elderly. Although both are involved with the elderly, the mission of ACTION differs from the mission of AOA.

The project directors, the people associated with the Foster Grandparent Program, the Retired Senior Volunteer Program and the Senior Companion Program have all indicated to us that they want to stay in ACTION. Senior citizen leaders are concerned that such a move would erode the effectiveness of the Older American Volunteer Programs. ACTION is a small agency that has the ability to carefully target program resources. Because ACTION promotes voluntarism and self-reliance and is a small and cohesive organization, many people in the Aging constitutency feel that it is more sensitive to the needs of Americans than larger, more bureaucratic agencies that tend to emphasize traditional "top-down" client-dependent relationships.

Therefore, we strongly believe that the Older Americans Programs should remain in ACTION.

FOSTER GRANDPARENT PROGRAM

Question: What is the status of the Foster Grandparent Program that has been sponsored by the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD)?

Answer: Sponsorship of the FGP activity formerly sponsored by OMRDD has been divided among ten grantees which include the New York City Office on Aging; two Developmental Disability Services Offices (under jurisdiction of OMRDD); and seven private non-profit organizations. The new sponsors commenced operation on March 1, 1983, for budget periods of from two to five months, respectively. Interim and/or caretaker sponsors (all of the new sponsors except the New York City Office on Aging) were selected, in part, to allow the New York State Office on Aging 45 days to review and comment on applications. Sponsorship for standard budget periods (usually 12 months) are expected to be funded at the conclusion of the current short-term budget period.

Question: What was the cost in federal dollars of closing this program?

Answer: As noted in the previous answer, the FGP project in New York has not been closed. However, the sponsorship has been changed.

It is not possible to provide a precise answer until "permanent" sponsors are funded and annualized levels of funding for each project are established. The current estimate is that approximately $250,000 in additional federal funds will be required on an annualized basis.

Question: How much State money was forfeited as a result of the closing?

Answer: We have been unable to determine the exact amount the State contributed to the OMRDD FGP project due to conflicting statements from OMRDD representatives placing the level of State funding at various amounts between $2.1 million and $4.0 million. ORMDD's last application was submitted with alternate budgets of $883,314 and $1,002,063 in non-federal resources.

Question: Do you intend to close other Statewide programs?

Answer: No. In fact, I have assured the President of the FGP Project Directors' Association that ACTION has no such intention. However, ACTION will continue to carry out its responsibility under the law to monitor the projects to assure that they are operating according to federal regulations.

Question: Have all the Foster Grandparents enrolled in this program been picked up by other sponsors?

Answer: Yes, all 551 of the Foster Grandparents on the rolls when OMRDD sponsorship concluded on February 28, 1983, have been accommodated by funding of the new projects. The OMRDD project was funded at a level of 530 volunteer service years (VSYs), approximately 27 of which were underwritten by a State Office on Aging contribution. We have been unable to ascertain from the State Office on Aging whether this support will be continued.

Question: I understand the proceeds of First Lady Nancy Reagan's book on Foster Grandparents "To Love A Child" will be contributed to the Foster Grandparent Program.

What amount of funds do you anticipate receiving from the sale of this book?

How will this money be administered by the ACTION Agency?

Answer: It is estimated the total will be about $100,000.

It is Mrs. Reagan's wish that the funds be utilized to expand FGP volunteer opportunities. This will be accomplished by one year augmentations to existing FGP projects for additional volunteers.

Question: At last year's hearing you informed the members of this Subcommittee that a research and evaluation of the Senior Companion Program is underway. I believe the target date for completion was July 1983. Do you have any preliminary data to report?

Answer: The Senior Companion Program Impact Evaluation is a four-year longitudinal design including three rounds of data collection. Waiting list volunteers (Companions) and waiting list clients serve as the control groups. The purpose of this evaluation is to measure the impact of SCP on participating Companions and their clients. Baseline data analysis is covered in the "1980 Summary Report" published in January, 1981. The preliminary analysis of data collected during round two is presented in the draft report currently under review in ACTION which should be published in April. A final report on findings from the round two data should be released in July, 1983. A third and final round of data collection is scheduled for November and December, 1983 with a final report to be published in June, 1984. The final report will be on the total four-year research activity.

Question: How many Older Americans were served by the Senior Companion's during this fiscal year? Can you estimate what percentage of the total need this might be?

Answer: In FY'83, there were 16,975 older clients served daily by 4,000 Senior Companions. Of the 15 million frail elderly Americans who potentially need Senior Companion services, only 0.1% are now being served. An estimated 1.1% of the 400,000 low-income eligible older Americans able and willing to serve as SCP volunteers are currently enrolled in the program.

Question: How are you meeting the demand for participation by volunteers in the Older American Program?

Answer: RSVP makes an effort to place older persons who wish to be enrolled as RSVP voluntees. RSVP does not have formal waiting lists. The emphasis is on accomplishing as much as possible with available resources.

The Senior Companion Program (SCP) does not require SCP projects to report the number of persons who apply to become Senior Companions. In FY'82, however, SCP projects identified a total of 1,808 eligible persons on waiting lists, an average of 23 persons per project.

Likewise, the Foster Grandparent Program (FGP) does not collect data nationally on the number of persons applying to be Foster Grandparents. A March 1982 survey of waiting lists kept by FGP projects identified 5,156 applicants, or an average of 24 per project. The need and, therefore, the potential is far greater, both in terms of the number of low-income older persons who want to serve and the number of children with special needs for individual support and care.

Because of the nature of the SCP and FGP programs, each project must have a reserve of trained volunteers available to fill vacancies when illness, death, and disability prevents a senior from continuing.

Question: The President has called for expanded volunteer services believing that volunteers would reduce the need for federal fiscal support of community social services. What effort is ACTION taking to increase the numbers of volunteers beyond the immediate scope of ACTION programs?

Answer: ACTION is taking steps which include the generation of large numbers of volunteers through the "ripple effect" of demonstration grants; major conferences which ACTION has sponsored throughout the country, showing communities how to use volunteers more effectively; the initiation of the President's Volunteer ACTION Awards, a focal point for Administration encouragement of volunteerism; and improved public relations efforts for the volunteer community, such as the Good News Reports.

Question: Given your request for a reduced budget, will ACTION be able to continue efforts begun by the President's Task Force on Private Sector Initiatives?

Answer: Although the President's Task Force on Private Sector Initiative no longer exists, a White House Office for Private Sector Initiatives does. In conjunction with this office, ACTION continues to play an important role in promoting private sector initiatives. However, it will be greatly limited with the FY'84 reduced budget.

SERVICE LEARNING PROGRAM

Question: How effectively is Young Volunteers in ACTION accomplishing its purpose of promoting volunteerism among the youth of this country?

Answer: YVA was established in September, 1981. The first year 3,300 youth gave 82,000 hours of volunteer service. The plan expanded into the funding of 75 programs with a projected involvement of 15,000 volunteers. The YVA program is designed to promote youth volunterism by giving grants as seed money for communities to encourage youth to become involved in their community. The program has been operational in 12 communities for 16-18 months and the projects are meeting with much success.

YVA's are serving as volunteers in tutoring, intergenerational projects, drug abuse, Head Start, extended day care, work with the disabled and in work with the Indian population. Many of the young people being assisted by YVA's have become volunteers themselves.

Through the efforts of the YVA program some youths have turned away from drugs, improved their reading capability to work with younger children and have gone back to school.

Question: Have you reviewed this program to determine if it is meeting its goal?

Answer: Nine of the 12 first YVA projects that were funded in 1982 were evaluated by the ACTION evaluation department. The initial portion involved questions that were sent to the YVA project directors and they responded in a telephone interview. Three sites will be visited in the next several months. The statistics will be compiled at that time.

The next evaluation will be in 1984 after a management information system is developed. This is designed for completion in FY'83.

Information supplied to the Office of Compliance by the Young Volunteers in ACTION program office indicated that 70 of the 75 YVA grants were awarded in September, 1982. Because of the newness of the program and the small size of the grants involved (an average of $20,000 per grant), audits of this new initiative program are not planned for FY'83 except on a special request basis.

Question: If so, what kind of impact has the Young Volunteers Program had on communities?

Answer: Early reports indicate that the nine YVA projects that were evaluated have had a positive impact on their local communities. Equally important, are the many reports of the positive impact on the youths.

Question: What kind of activities have these volunteers carried out?

Answer: The following list indicates the kind of activities in which Young Volunteers in ACTION are engaged:

- Buddy system with Refugees
- Home repair for the elderly and handicapped
- Alcohol, drug, and juvenile delinquency peer counselling
- Involvement with Headstart, exended day care and latchkey children
- Work in health care facilities
- Community nutrition program for children
- Serve in hospitals and nursing homes
- Work on one-on-one with the mentally retarded
- Home weatherization for the low-income elderly
- Provide tutoring assistance in literacy programs
- Assist the elderly (also Adopt-a-Grandparent)
- Working with the disabled
- Assist the food banks
- Anti-crime education (i.e. shoplifting)

Question: What is the per-volunteer cost?

Answer: It is too early in the operation of the program to determine the exact per-volunteer costs.

VIETNAM VETERANS LEADERSHIP PROGRAM

Question: How is the Vietnam Veterans Leadership Program helping with:

A. Civilian adjustment problems?

B. Veterans unemployment problems?

Answer: ACTION's Vietnam Veteran Leadership Program (VVLP) volunteers are successful Vietnam Veterans, who give support and counsel to their fellow veterans who continue to have lingering problems associated with the Vietnam War, including problems of civilian adjustment. ACTION's VVLP differs from the readjustment counselling program administered by the Veterns Administration in that VVLP is a volunteer program designed to marshall a significant new resource -- successful veterans -in the task of addressing veterans problems.

Since over 800,000 veterans who served during the Vietnam War are out of work, VVLP has focused on veteran unemployment problems. VVLP projects throughout the country have counseled thousands of Vietnam veterans on job opportunities. Initiatives vary according to the local projects. However, in St. Louis alone, over 200 Vietnam Veterans have found employment through the efforts of the local VVLP.

Question: To what extent is this program coordinated with similar programs administered by the Veterans Administration and Department of Labor?

Answer: Coordination has been extensive and ongoing with all other elements of the veteran community including state, local and federal agencies. As a volunteer program, VVLP depends on community support and initiative for its effectiveness and will depend on such support for continued effectiveness after September 1984. ACTION's VVLP program has been praised by leaders of major veterans organizations.

According to Mr. Al Keller, national commander of The American Legion, "In just a short period of time the Leadership Program has restored to many veterans a sense of worth and self-dignity." Mr. Edward G. Galian, National Commander of the Disabled American Veterans, said, "This program has done more than any other federal initiative to demonstrate that Vietnam veterans are winners not losers. It has shown the veterans, themselves, that they have earned the right to hold their heads high, having proven their courage and their willingness to sacrifice for their country."

Question: Volunteers in the VISTA Program are restricted to poverty-related activities. Are the VISTA Volunteers in the Vietnam Veterans Leadership Program working in poverty areas?

Answer: Yes, VISTAs in VVLP are working in poverty-related areas. Eleven of the forty-two VVLP projects have VISTA involvement. In these projects, as in other VVLP projects, emphasis has been placed on veterans employment problems. Thus, VISTAs are particularly active in assisting low-income veterans find jobs.

Older American Volunteer Programs

Question: How much does it cost to maintain a volunteer under the:

A. Retired Senior Volunteer Program?

B. Foster Grandparent Program?

C. Senior Companion Program?

Answer: In FY'82 the actual cost to maintain a volunteer in the following programs was as follows:

A. RSVP $ 79.00 per year

B. FGP $ 2,547.00 per year

C. SCP $ 2,509.00 per year

Question: Do you expect to see an increase in the cost over FY'84? How much?

Answer: In FY'83 the estimated cost to maintain a volunteer in each of the Older American Volunteer Program is as follows:

A. RSVP - $ 76.00 per year

B. FGP - $2,674.00 per year

C. SCP _ $2,478.00 per year

We do not anticipate any change in the levels for FY 1984.

These estimates are based on the best information that is available at this time.

Question: As a result of the funding reduction for the Older American Volunteer Programs for 1981 - 1982 and the continuation of these levels for FY'83 -- was it necessary to reduce the number of volunteer projects or volunteers?

If not, how did you accommodate the funding reduction.

For how many projects was the funding cycle changed in order to accommodate the funding reductions from 1981-82?

Answer: No, it was not necessary to reduce the number of volunteer projects or volunteers over the years 1981 - 1982.

We were able to hold our funding for these programs at a level mark and still increase volunteer strength by improving the management of these programs. ACTION has reemphasized strong program management on the part of the sponsors to reduce or eliminate non-essential expenditures and to fully utilize all available funds. In addition, in some areas growth is made possible by increased non-ACTION contributions.

Some recycling of grants has taken place. In FY 1982, 86 grants were recycled into the first and second quarter of FY 1983. However, none of these grants will have their funding changed in FY 1983. Some sponsors request changes in project funding cycles for internal management reasons, e.g., sponsor fiscal year changes, management of internal workload, etc. ACTION tries to accommodate these requests when possible. Established on-going projects generally maintain a constant level of volunteer service years. Consequently, achievement of goals is usually not affected by changes in funding cycles. Some adjustments to recordkeeping, grant application and reporting schedules may be necessary. The Agency is aware of these potential problems and provides assistance to affected sponsors to minimize any adverse impact.

Question: Did you make any recommendations to reduce Older Americans Volunteer Program funding (OAVP). If yes, to what level?

What was your reasoning for this recommendation?

Answer: No. In fact, I have strongly recommended that ACTION's Older American Volunteer Program (OAVP) be reauthorized and that funding be continued at current levels.

The reason I recommend no reductions is because I believe that the OAVPs serve the dual purpose of uniting the time and energy of mature, experienced and skilled people with unmet community and individual needs. Further, ACTION is committed to the principle that the satisfaction of each volunteer is a direct result of her or his involvement in activities which will improve the lives of others and enrich their own.

PROGRAM ADMINISTRATION

Question: Have you recommended closing the ACTION Agency?

Answer: No. In fact, we strongly recommended continuing ACTION. ACTION is unique as the federal agency that promotes a voluntary approach to a wide range of social problems and issues, in a highly cost-effective manner. ACTION's programs offer Americans of all ages the opportunity to perform voluntary civilian service and, by promoting the ideal of such service, ACTION indirectly encourages voluntarism on a scale that goes beyond what can be measured in dollar figures or volunteer hours. We believe that the agency and its programs stimulate the spirit of selfhelp and sense of personal and civil responsibility so vital in our nation.

Question: I understand ACTION's policy is to conduct two project site visits per year. Have you been doing so under current budget? Under the request FY'84 budget, would you still be able to conduct two visits per year? One?

Answer: Under the current budget we have not been able to conduct two project site visits per year. The FY'84 request in program support of $18.1 million is calculated on an FTE number of 375, which means a reduction in force of over 140 personnel and the closing of all state offices in the field. Under these circumstances it can not be guaranteed that ACTION will be able to conduct one project site visit per year.

Question: I understand that the need for proper project monitoring has been seriously eroded over the last several years. If this is true, how can you monitor your agency's projects against fraud and abuse when you have reduced your travel funds by $153,000?

Answer: The reason we have requested a reduction of $153,000 in travel funds is the need to show how we would apportion the $18.1 million requested in Program Support funds. The $18.1 million program support number is created by our need to reach the $109 million requested Agency appropriation level while keeping our Older American Volunteer Programs at current levels. The amount requested for travel would greatly reduce project monitoring.

Question: How much do you think might be saved by increasing audits to better identify misuse of project funds?

Answer: ACTION is placing more emphasis on the Office of Compliance and a comprehensive audit system. A review of 18 audits of OAVP projects conducted between November 1982 and January 1983 by a number of CPA firms reveals that of the total of approximately $6.3 million budgeted by ACTION $278,000 were questioned costs due to lack of supporting documentation; travel expenses over the budget; failure to meet their cost sharing commitments; Financial Statement Report (FSRs) not reconciled with books of account; unbudgeted expenditures; etc.

Recently completed audits of eight (8) VISTA projects by a CPA firm disclosed that of a total $8,017,745 budgeted by ACTION, $574,026 were questioned due to insufficient documentation; payroll costs not supported by attendance; costs in excess of budget transfers allowable; missing ledgers; etc.

A preliminary review by the Office of Compliance of a Youth Community Service project led to an immediate recovery of $29,510.70 and the preformance of a comprehensive audit of the project. The resulting audit was successfully coordinated with the Department of Labor.

The Office of Compliance conducted an audit of an ACTION contract of $61,239 to determine the adequacy of contractor's accounting system and the reasonableness of the amounts billed ACTION under the contract. The uncooperativeness of the contractor when the audit was initiated resulted in the Agency enlisting the assistance of the local U.S. Attorney's Office. The audit, which questioned costs of $14,675 was conducted under court order.

The cognizant ACTION grants and contracts officers have not yet completed their reviews of all of the costs questioned cited in above examples. Since the total disallowed costs have not been determined, this question cannot be answered at this time.

Instances and conditions such as these make it imperative that the Office of Compliance step up its audit activities and complete adequate reviews of projects in their early stages in order to prevent the misuse of Federal funds.

Question: What new initiatives are you planning for the ACTION Agency?

Answer: Our new initiatives are in the areas we targeted two years ago: illiteracy, drug abuse, troubled, and particularly runaway youth. We are still focusing on new approaches to these social problems through our demonstration grants and other programs, and are also becoming involved in promoting private sector initiatives in the area of neighborhood development and food banks.

Question: Would you explain the various career positions, Schedule C's, Schedule B's, Experts and Consultants?

Answer: ACTION has career and non-career employees and complies with all personnel requirements of the Office of Personnel Management. Most ACTION employes are career employees hired under competitive civil service regulations. These career employes provide a number of essential services and are the manpower backbone of the Agency.

Non-career employees also play an important role in the ACTION Agency. There has been much misunderstanding as to what is meant by a non-career employee. At present ACTION has the following types of non-career employees.

PAS - Presidential appointment, confirmed by the Senate, ACTION is allotted five (5) of these positions by legislation.

Non-Career SES - these are the senior managers with policy responsibilities, ACTION is allowed five (5) of these.

Schedule C - non-competitive appointment of a policy determining or confidential nature (often referred to as political appointments), ACTION is allotted thirty-five (35) by the Office of Personnel Management.

Schedule B - non-competitive appointments of persons possessing a special skill or qualification that makes a competitive examination impractical, ACTION is allotted twenty-eight (28) by OPM but has only seventeen (17) persons so qualified. It should be emphasized that Schedule B appointments are exempted from Civil Service competitive hiring procedures only because it is determined in each case that it is not practical to hold a competitive examination. These positions are not of a confidential or policy determining nature and are absolutely not political.

Experts and Consultants - these are non-career, non-permanent employees who are hired because of an ability to perform a necessary task. ACTION now has twelve (12) persons in this category.

At the present, we are operating at the minimum staffing level both career and non-career necessary to operate effectively. If the senior managers, policy positions, confidential positions, technical experts and needed career employees are reduced, ACTION, and its programs would be seriously harmed.

An illustration of the type of resources we would be losing can be seen in our current Schedule B employees which include four Blacks working on minority problems, an Eastern European ethnic specialist, an American Indian Specialist, a drug abuse specialist, an older American problems specialist, three disabled Vietnam Veterans (working in our veterans program), a specialist in infirmed older Americans, and others (all of whom are women). ACTION can ill afford to lose its non-career or career employees and we would be available to discuss this problem at greater length if desired.

Question: How many non-career positions, including temporaries, do you currently have and how does this compare with the previous administration?

Answer: Below is a comparison of ACTION's non-career employees as of January 22, 1983 (as prepared for the House Appropriations Committee) and April 1980. As can be seen the number of non-career employees is about the same except for a large drop in the number of temporary employees.

	April 1980	January 22, 1983
Schedule B Positions	13	17
Schedule C Positions	31	31
Non-Career SES	4	5
Expert/ Consultants	21	17
Temporary	237	23

Question: What has been the overall effect upon the ACTION Agency of the now completed Peace Corps separation?

Answer: The overall effect of the separation of the Peace Corps upon the ACTION Agency has been negative. Separation of Peace Corps from ACTION resulted in the transfer of 258 full-time permanent employees and 60 temporary employees from ACTION to Peace Corps. ACTION's Accounting, Contracts and Grants, Computer Services, Administrative Services, Personnel Management and Inspector General divisions were seriously hurt by the loss of key personnel. One year after the date of transfer ACTION is still affected by the loss of those key personnel. Additionally, ACTION has had to duplicate many services that were previously shared. The previous system of joint ACTION/Peace Corps use of services and facilities within a single Agency was certainly more efficient than the current system of two separate support services and dual facilities.

Because of the current program support number of 25.8 million and the OMB mandated FTE of 490 the Agency is unable to replace key personnel lost in the Peace Corps separation.

For example, the Agency has lost technical personnel in the Accounting Division. This makes it difficult for ACTION to fullfil the provisions of the Prompt Payment Act. It hampers the ability of the Accounting Division to review and approve "vouchers for payment" in a timely manner and could result in the payment of interest for overdue bills.

At the present time, within Computer Services there are not enough systems people to document current systems and develop new applications. It is only possible to keep current systems running. From these examples and others not mentioned it is clear that the separation of the Peace Corps from ACTION has had an adverse impact upon the ACTION Agency.

Question: Your justification for closing down the VISTA program is based on lack of cost effectiveness.

Have you done any impact study and review of the VISTA program and its accomplishments? If so, can we have it? If not, why not?

Answer: The decision to close the VISTA program was made before I became Director of ACTION. In the past the program had been subject to abuses that we have corrected since coming into office in 1981. Since the decision to terminate the VISTA program had already been made by the Office of Mangement and Budget no cost-effectiveness study was made by ACTION.

Question: Have you investigated alternative means or methods of continuing the VISTA program? BACKGROUND--Commission on Libraries for example, has developed some private initiatives and funding.

Answer: No.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

SPECIAL PERSONNEL SERVICES

Question: Mr. Pauken, although this does not appear to show up in your budget justifications, your agency obligated $12,404,000 for special personal services payments in 1982, plans to spend an additional $9,901,000 for this activity in 1983 and will reduce payments under this heading to $236,000 in 1984 according to the Appendix to the budget. Can you explain how these funds are being used?

Answer: In the Appendix to the President's budget, the object classification "Special personal services payments" is used to record obligations for compensation of persons not reportable as Federal employees. For ACTION this includes stipends and allowances for VISTA volunteers and lump sum leave payments for former employees of the Agency. The reduction in these amounts is mainly attributable to the proposed termination of VISTA.

COMPOSITION Of VOLUNTEER WORK FORCE

Question: The Table on Page 15 of your justification indicates that by 1984 all of your full-time volunteers will be senior citizens and at least 96% of your part-time volunteers will be senior citizens. Does your failure to encourage voluntarism among younger citizens concern you? Do you have any plans to achieve a better balance.

Answer: The figures in the table are predicated on the assumption that VISTA will be phased out. The Young Volunteers in ACTION program, a new initiative, is designed specifically to encourage volunteerism among youth, and is now operating at sites around the country. Moreover, ACTION's demonstration grants and support of the volunteer community in general are not reflected in tables of volunteers. We estimate that as many as 10,000 volunteers are supported by demonstration grants and at least as many by state offices of voluntary citizen participation. The vast majority of these volunteers are younger or middle aged.

VISTA - Service Learning Programs

QUESTION: Mr. Pauken, you are requesting $1,727,000 in fiscal year 1984 for your service-learning programs, which are designed to support efforts to link the resources of student volunteers with those of the community in resolving human, social and environmental problems, including those that are poverty-related.

The work-study program administered by the Department of Education also has a service-learning component. In fact it allows participating schools to set aside up to 10 percent of their work-study funds for community service learning programs which provide employment related to a student's educational goals and also serve low-income persons.

Can you tell us what interaction there is, if any, between your program and that administered by the Department of Education?

ANSWER: ACTION's staff has recently had discussions on service-learning issues with two Assistant Secretaries of the Department of Education. The question you raised is an interesting one and we are exploring options on the issues of work-study funds for community service-learning program and interaction with the Department of Education.

VIETNAM VETERANS' LEADERSHIP PROGRAM

QUESTION: In discussing your Vietnam Veterans' Leadership Program you state: "Programs will eventually be established in 50 cities and will be individually tailored, with emphasis on solving the most severe local problems faced by veterans." How much do you plan to spend on this program in the coming fiscal year?

Answer: Two million dollars.

Question: How many cities now have Vietnam Veterans' Leadership Programs?

Answer: Forty-two.

Question: How many cities do you plan to add to the program in 1983 and 1984?

Answer: Eight.

Question: When will you achieve your goal of establishing the program in 50 cities and what will be the cost of running the program at that point?

Answer: Our goal should be accomplished by this summer. The total cost of the program over the three year period will run $6.5 million. FY '84 will require two million dollars.

STATE VOLUNTARY CITIZEN PARTICIPATION

Question: You are requesting $435,000 in fiscal year 1984 for state voluntary citizen participation offices. This will allow you to continue support for eight state offices. How were the states chosen?

Answer: The states were chosen on the basis of applications submitted which best reflected conformance to guidelines for State/Office of Voluntary Citizen Participation, published in Federal Register Volume 45, Number 5 on April 2, 1980. To be considered, a state's proposal must indicate that it can meet four required functions during the first year of operation, including:

1. organizing and supporting a state coalition of leadership of volunteer service organizations;

2. developing, implementing, and maintaining a comprehensive information dissemination system;

3. preparation of a publication useful to the public and private sector; and

4. developing, implementing, and maintaining a state plan for public recognition of voluntary action and citizen participation efforts.

YOUNG VOLUNTEERS IN ACTION

Question: Provide for the record a list of all Young Volunteers in ACTION Programs you are currently funding, the cost of each, and a one paragraph description of each program including the number of volunteers serving in the Program.

Answer: YVA grantees, funding and volunteer levels for FY'82 are displayed on the attached chart. Also attached are sheets with descriptions of each individual project.

(Clerk's Note.—This material is contained in the subcommittee's files.)

SALARIES AND EXPENSES

Question: You are proposing to cut full-time permanent positions under program operations by 43 percent -- from 313 to 176. However, your support staff under program services would lose only 7 slots, going from 213 positions to 206 positions. Unfortunately from the taxpayers standpoint the program services job cost about $1,000 per position more. Why are you cutting so deeply into your program operatins staff and taking such a modest cut in your program services personnel?

Answer: The reason that the Program Operations staff is being cut so deeply in contrast to the Program Services staff is that in previous years the Program Services staff has been cut to the bone. Below this level the Agency's ability to function would be seriously impaired. The proposed cut in Program Services personnel may seem modest, but only when comparing it to the cut in Program Operations personnel. An example of our difficulties is that we currently cannot hire key technical people in fiscal services who would be responsible for the provisions of the Prompt Payment Act - this lack means we incur additional debits in this area.

The reason the Program Operations staff is being cut so deeply is to reach an OMB mandated FTE of 375. This means a major reorganization of the ACTION Agency, closing every state office and only retaining regional offices with slightly increased staffs.

The Program Operations positions that would be eliminated are not directly comparable to Program Services positions. The $1,000 difference cited in the question does not take into account that Program Services includes many highly graded positions of a specific technical nature such as computer services, payroll, accounting, and auditing. These technical positions are not duplicated in the field.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF ELINOR M. HASHIM, CHAIRMAN

ACCOMPANIED BY:
BESSIE B. MOORE, VICE CHAIRMAN
TONI CARBO BEARMAN, EXECUTIVE DIRECTOR
MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

PREPARED STATEMENT

Senator WEICKER. The final witness this morning is Elinor Hashim, the Chairman of the National Commission on Libraries and Information Science.

Elinor will present the Commission's budget request for fiscal year 1984.

Elinor, you step right up to bat and bring your colleagues with you.

Elinor, I've wanted to get you in this position for a long time. I've got you across the table and I can go ahead and grill you and embarrass you, beat up on you, all those things that you don't deserve. You are a very, very wonderful person who I have known for a long time, and has had a great interest in the libraries of my State, your State, and indeed the American national library system. I think you are a great credit to your profession. It is just a delight to have you before us.

Why don't you introduce your colleagues and proceed in any way you like.

[The statement follows:]

STATEMENT OF ELINOR M. HASHIM

My name is Elinor Hashim. I am the Chairman of the National Commission on Libraries and Information Science (NCLIS). The Commission is a permanent, independent agency established to advise the Congress and the President on research, planning, and national policies for libraries and information services. As the Commission begins its second decade of services to the Congress and the President, I am pleased to be here today to report on a year of numerous accomplishments and far reaching decisions, and to present our plans to you for fiscal year 1984. The Commission's appropriation request for fiscal year 1984 is for $553,000, which is $121,000 less than our current budget under the continuing resolution.

Public Law 91-345 charges the National Commission on Libraries and Information Science with advising on plans and policies to best meet the library and information needs of the people of the United States. With this mandate the Commission has conducted a series of national needs assessments. Our latest Annual Report summarizes our first decade of accomplishments and describes these needs assessments.

For the past two years the Commission has had four major task forces focussing on specific areas of user needs. The sixty-one members of these four task forces donated a total of more than 6,500 hours of their time to the taxpayers, a return on our investment of more than $10 for every tax dollar. In calendar year 1982, the Commission has received the recommendations from all four task forces. These recommendations form the basis for many of our programs for fiscal years 1983 and 1984.

The Commission has just completed the final phase of a two-year planning process. With firm decisions made about the structure and substance of its program plans for the next several years, NCLIS is very clear about its direction and the allocation of its resources. We are in the unique position of being able to identify the most important library and information issues, gather opinions from the broad spectrum of information users, and then focus our attention on making appropriate recommendations concerning national policies. We anticipate having met the following objectives by the end of FY 1983:

- To develop specifications for updating major library and information legislation;
- To improve mechanisms for more effective communication with the library and information community;

- To enhance our international expertise in order to advise Congress and the Administation more effectively on international information issues;
- To project the information environment of 1985;
- To examine the impact of information technology on various segments of the population;
- To identify those qualities that make technology more useful and acceptable;
- To analyze library and information needs of cultural minorities and look for ways to better meet these needs;
- To identify exemplary community information and referral programs in libraries and publicize these models;
- To identify demographic changes affecting library and information services;
- To summarize the major technological developments facing libraries;
- To identify the special needs of libraries in both urban areas and rural areas;
- To continue participation in nationwide programs to combat illiteracy;
- To identify and analyze library and information needs of senior citizens;
- To continue to serve as "honest broker" for senior government officials to improve the management of information resources;
- To assess the potential impact on information users and producers of the principles and recommendations developed by the Commission's Task Force on Public Sector/Private Sector Relations;
- To support improved cooperative information services to small rural areas, and

- To improve dissemination of government information to small businesses.

The two major themes addressed by most of our FY 1983 objectives are meeting changing library and information needs and the impact of technology on the users of library and information services. We believe the impact of information technology on our economy will greatly affect productivity.

Meeting Changing Needs - During the last decade there have been notable changes in our population--where we live, what our cultural heritage is, and how old we are. Ninety percent of our country's population increase occurred in the southern and western states, with especially rapid growth in our small towns and rural areas. Minorities have increased from 17% to 20% of the population. Hispanic groups experienced a 61% growth rate, compared to a nationwide growth rate of 11.4%. During the 1970s, large numbers of Indochinese peoples migrated to this country. Although the majority of Americans of Asian heritage live on the west coast, they, as well as other minorities, are moving to other parts of the country and may no longer be identifiable as a group. Between 1970 and 1980 the number of citizens over age 65 has grown to comprise 11.3% of the total population, an increase of almost 30%. As life expectancy increases, so will the size of this segment of the population. There is no question that as our population changes, so do our library and information needs. The Commission's continuing mission is to track those needs and find ways to serve them.

A group that may have been largely ignored by the providers of library and information services is the elderly. We doubt that the library and information needs of senior citizens are adquately known or addressed. Although the great majority of public libraries have children's sections, few have comparable services for senior citizens. Yet senior citizens have as great a need for information and also have the time and interest to use library materials and facilities frequently.

The Impact of Technology - The information technology explosion seems to have engulfed us all, and it has become a cliche to say that we are in the "Information Age." We don't really know what that means for society. We have heard that libraries will no longer exist because information will be delivered directly to people's homes, and that books will be replaced by electronic media. Are these predictions accurate? Will the new technologies present barriers to the use of library and information services to large portions of the population, such as senior citizens? The Commission has undertaken a program to provide the most accurate picture possible of the information environment of 1985. We will analyze existing studies and synthesize them into one concise report, which will answer such questions as: "How many homes will be hard-wired for cable?" and "What percentage of the home computers will have a modem or other means of access to information outside the home?" We will also summarize available information describing the types of technology and their applications to the library and information field. This major project is possible, thanks to the contribution by the IBM's Thomas J. Watson Research Center of the services of two library/information specialists for six months each. These specialists will work directly with our staff and members of the Commission. IBM's contribution represents nearly $50,000 in staff and other resources. This pioneer project is an excellent example of an effective partnership between the public and private sectors.

NCLIS' Role

We gather opinions on changing information needs, the impact of technology, and other issues by visiting libraries and talking with library users. We listen to the concerns of library and information professionals as they struggle to serve their constituents better, learn to deal with new technology and make it accessible to others—all this with fewer dollars every year. It is ironic that the very economic forces that have caused libraries to reduce staff, acquisitions, and the number of hours they are open have also caused them to become more crowded. People seeking employment, especially, depend on libraries for information about jobs, training, and other special services. How can libraries that are being squeezed in both directions continue to serve effectively? It is probably impossible for a single small library to resolve that problem alone. Few states have all the resources they need to resolve such problems. NCLIS does not have a magic wand, but it does have the mandate to look for new and innovative ideas to keep the country's library and information services accessible and applicable to user needs. As small as we are, there is no other organization or agency, public or private, that has this unique responsibility.

Outline of 1984 Programs - Because our budget request for FY 1984 is less than our current level, we must limit our areas of concentration. The Commission's work may be divided into three areas: 1) mandated activities (by law); 2) long-standing efforts; and 3) new initiatives. We plan to postpone the new initiatives concerning senior citizens and new technology and productivity until some long-standing efforts are completed. We hope to resume these projects soon. Understanding how information technologies might increase productivity is the central information issue for our economy. Insuring library and information services adequate to meet the needs of the fastest growing age group in the country, one whose productivity may be stymied because of lack of knowledge of opportunities, is equally critical.

Mandated Activities - Our work with Congress and the Administration continues to be our first priority. We are assisting in the preparation of major Federal library legislation, and by specific request we will be investigating other areas such as technology, statistics, and copyright issues. We are aiding the Administration's interest in literacy programs. We are facilitating the collection of library data by serving as a catalyst for the cooperative efforts of Federal agencies with the library and information community. At the request of the Department of State, NCLIS has assumed the secretariat role for the U.S. Committee to the UNESCO General Information Program. In this capacity we will serve as a conduit for the needs, interest, and views of the U.S. library and information community with respect to this program. In FY 1984 our major objective in this area is:

> To work with the Congress and Administation in developing an understanding of national and international policy issues concerning information technologies and library and information service.

Longstanding Efforts - We have invested an enormous amount of resources (as has the library and information community) in three on-going programs. We must complete our current tasks on schedule or we will fall far short of serving the needs of our primary constituents--the Congress, the Administration, and the library and information community. We must not abandon the effort now that we are so close to the end. The three long-standing efforts I am talking about are:

1) Improving library and information services to meet changing needs - Library and information services need to be revitalized to meet the current needs of their respective communities more effectively. Our project is a national leadership effort to strengthen state and local capabilities to meet new needs. It is not a matter of pouring Federal money into the effort. It is a matter of creating a new vision at the state and local levels. Four task forces have made recommendations to us. We will capitalize on the time, resources, and dollars invested to produce these recommendations to get an appropriate return on the taxpayers' investment. In FY 1984 our major objective in this area is:

With the library and information community, to develop an action plan to diffuse success models for meeting changing library and information needs of the nation.

2) Increase cooperation with the private sector concerning the provision of information - Our efforts in this area are the most important ones we have made since the first White House Conference on Library and Information Services. We are working with the Federal sector and the private sector to assess the impacts on the users of government information of current and proposed changes in the provision of Federal information. In FY 1984 our major objective in this area is:

- In consultation with OMB, to develop guidelines for Federal agency interaction with the private sector to improve the delivery of information products and services.

3) Rural Information Program - Late in FY 1982, NCLIS coordinated a joint Congressional hearing on the information needs of rural Americans. Building upon the hearing testimony, our work with the Intermountain Community Learning/Information Services Project (a local community effort), the Department of Agriculture, and the library and information community over the past three years, the Commission will help establish a National Advisory Board including all important constituencies to broaden the base of agencies and organizations addressing rural information needs. The Board's function will be to collect data about the information needs of rural communities and advise Federal and state agencies and the private sector as to how these needs can be satisfied. Within three years the Board will no longer need Federal assistance. In FY 1984 our major objective in this area is:

To establish a National Advisory Board on Rural Information Needs.

New Initiatives - The next step in our program to assess the impact of technology on library and information service users and providers is to look for ways that information technology can increase productivity. We will continue in our role as advisor to the White House Conference on Productivity. We will also assist with the technical program for the October 1983 Annual Meeting of the American Society for Information Science, which has as its theme, "Productivity in the Information Age." In FY 1984 our major objective in this area is:

To study productivity of knowledge workers.

- -

In FY 1984 our highest priorities must be to complete our objectives in the areas of activities mandated by law and our long-standing efforts. We hope to make some progress with our important new initiatives.

The unique role NCLIS plays is important to the future of library and information services in this country. Our presence at the Federal level provides the focal point for bringing together various constituencies and coordinating activities at the Federal, state, and local levels. Adequate library and information services are essential to all citizens. This nation cannot be first at anything unless we provide our people with the tools and resources they need to make them more knowledgeable and more productive.

We know that many of our libraries and other information sources are inadequately funded, but more money isn't the only answer. Lack of adequate funding forces us to be creative--to look at what we're doing and why, to cooperate by sharing our resources and our talents in the public as well as the private sector, and to learn to use the new technologies so that we can more easily handle the wealth of information being generated. This is what NCLIS does. It looks for creative solutions to share with the library and information community.

We have a solid record as a cost-effective agency which has helped avoid the unnecessary expenditure of Federal dollars and has worked closely with state and local governments, and with the private sector both for-profit and not-for-profit to improve library and information services to the citizens of this country. NCLIS will have to work very creatively with a budget of $553,000 to maintain this record.

Biography of Elinor M. Hashim

Miss Elinor M. Hashim
Chairman
National Commission on Libraries
and Information Science

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University of Vermont, B.A. Political Science, 1955
Southern Connecticut State College, M.S. Library Science, 1970

National Commission on Libraries and Information Science
Chairman, October 1982-Present

Perkin-Elmer Corporation, Norwalk, Connecticut
Supervisor, Reference and Technical Services, 1981-Present

Welles-Turner Memorial Library, Glastonbury, Connecticut
  Library Director, 1975-1981

New Britain Public Library, New Britain, Connecticut, 1971-75
  Head of Circulation Department, 1971-72
  Head of Business, Science and Technology Department, 1972-73
  Head of Reference Department, 1973-75

Mary Cheney Library, Manchester, Connecticut, 1968-71
  Part-time in Circulation and Reference, 1968-69
  Head of Reference Department, 1969-71

United Technologies Research Center, East Hartford, CT., 1956-68
  Engineering Assistant, 1956-58
  Technical Research Assistant, 1958-63
  Supervisor of all Engineering Aides and Assistants, 1963-68

Connecticut State Library Board, 1974-82
  Appointed by Governor Thomas Meskill, 1974-79
  Reappointed by Governor Ella Grasso, 1979
  Chairman, 1976-82

American Library Association, Member, 1975-Present
  Public Library Association Membership Committee, 1979-80
  Connecticut Chapter Councilor, 1980-82

Special Libraries Association
  Member, 1981-Present

New England Library Association, Member, 1970-Present
  Bylaws Committee, 1972-73
  Connecticut Representative, 1973-75
  Membership Chairman, 1975-76
  Vice-President, 1976-77
  President, 1977-78
  Nominations Chairman, 1979-80

Connecticut Library Association, Member, 1970-Present
  Legislative Chairman, 1971-73
  Representative to New England Library Association, 1973-75
  Nominations Chairman, 1975-76
  Representative to American Library Association, 1980-82

Connecticut Library Association, Librarian of the Year Award, 1982

Southern Connecticut State College, Distinguished Alumni Award, 1982
  Division of Library Science and Institutional Technology

BIOGRAPHY OF TONI CARBO BEARMAN

Since November 1980 Toni Carbo Bearman has been the Executive Director of the National Commission on Libraries and Information Science.

Dr. Bearman served as a senior consultant for strategic planning and new product development at the Institution of Electrical Engineers in London. Dr. Bearman has been active in the library and information profession since February 1962. For five years, she served as the Executive Director of the National Federation of Abstracting and Indexing Services (NFAIS). Previously, at Drexel University she worked as both a teaching and research assistant. Between 1963 and 1971, Dr. Bearman worked in university libraries, serving as coordinator of public services for the Physical Sciences Library at Brown University, working as a catalog maintenance librarian and serials and interlibrary loan assistant at the Brown libraries, and as a subject specialist in technical report and engineering literature at the University of Washington Engineering Library. Her work at the American Mathematical Society included reference and supervision of the serials collection.

Dr. Bearman has an B.A. degree from Brown University and an M.S. degree from the Drexel University Graduate School of Library Science from which she received the outstanding student award. In 1977, she received the first PhD degree in the United States in the management of information resources, from Drexel University.

She has been active in many professional societies. In the American Society for Information Science, Dr. Bearman served on the Board of Directors from 1978-1981. Previously, she served as Chairman of the Delaware Valley Chapter and of the Special Interest Group on Library Automation and Networks the year it won the SIG-of-the Year Award. She has chaired and/or served on the Networking, International Relations, Intersociety Cooperation, and Financial Investment Committees and the task force on the International Information Program. Also active in the Special Libraries Association, Dr. Bearman served as Chairman of the Program Planning Committee and as a member of the Special Projects Committee for the Documentation Division and as a member of the membership committee of the Philadelphia Chapter. She chaired the Nominating Committee of Section T of the American Association for the Advancement of Science.

Active in the area of networking, Dr. Bearman was the Chairman of the ASIS Networking Committee and the ASIS Special Interest Group on Library Automation and Networking (SIG/LAN). She also served as the representative from both ASIS and the National Federation of Abstracting and Indexing Services (NFAIS) to the Network Advisory Committee. With Ward Shaw, she has coedited The Role of the Information Science Community in a National Network. She has presented papers and chaired sessions at international conferences on the role of secondary services in a national network and on international networking.

Her international experience is extensive. In addition to working in England for two years, Dr. Bearman organized international seminars on indexing and has participated in technical programs and meetings at international conferences.

BIOGRAPHY OF BESSIE BOEHM MOORE

Bessie Boehm Moore, Vice Chairman; NCLIS. Commissioner since 1971

Degrees:	BSE State College of Arkansas, Conway, Arkansas MA University of Connecticut, Storrs, Connecticut
Experience:	Member, Arkansas Library Commission, 1941-1979 (Chairman, 1950-1979)
	National Advisory Commission on Libraries, 1966-68
	Executive Director, Arkansas State Council on Economic Education, State Department of Education, 1962-1979 (Executive Director Emeritus, 1979-)
	State Coordinator of Environmental Education, State Department of Education, Little Rock, Arkansas, 1970-74
	State Supervisor of Economic Education, State Department of Education, Little Rock, Arkansas, 1962-74
	State Supervisor of Elementary Education, State Department of Education, Little Rock, Arkansas, 1958-65

Honors:

Arkansas Woman of the Year, 1952

Awarded Honorary Doctor of Laws Degree, University of Arkansas, 1958

Appointed in 1961 by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961-64

Only woman speaker at Southern Governors Conference at White Sulphur Springs, West Virginia, August 1963

Awarded Distinguished Service Award, American Association of University Women, May 1966

Distinguished Alumni Award, University of Arkansas, 1974

Member, Board of Directors, First National Bank of Little Rock, 1971-1979

Member of the Board, Arkansas Foundation of Associated Colleges, 1975-1979

Awarded Honorary Doctor of Laws Degree, University of Arizona, 1977

Arkansas Citizen of the Year, 1978

Board of Trustees of the University of Arkansas named the Economic Education Center of the University, the Bessie Boehm Moore Economic Education Center, 1979

Awarded Honorary Life Membership (the highest honor given) by the American Library Association for 50 years of service, 1980

INTRODUCTION OF ASSOCIATES

Ms. HASHIM. Thank you, Mr. Chairman, for your very kind words.

On my far left is Mary Alice Hedge Reszetar, who is the Associate Director of the Commission; next to her is Dr. Bessie B. Moore, who is the Vice Chairman of the Commission; on my right is Dr. Toni Carbo Bearman, the Executive Director of the Commission.

I am not sure I should say this for the record, but I will say it anyway. This group is stacked—University of Connecticut master's degree; native of Connecticut. And you know where I come from.

I have to say also that Sharon Rockefeller is a tough act to follow. We had the same experience in front of the House Appropriations Committee.

I may say that our budget is minuscule by Federal standards.

Senator WEICKER. It sure is. And I might add, getting more minuscule.

Ms. HASHIM. That's right.

We do reach people all over the country of all ages.

I would like to make a few brief comments to supplement my written statement. We have a record that we are proud of over the last 12 years. The National Commission is a creative agency which is always looking for solutions to library and information problems.

We thank you and the members of the committee and all Members of Congress for their support in the past.

We are here today to speak to the President's budget request for our agency of $553,000 for fiscal year 1984.

By the end of fiscal year 1983 we plan to have met several objectives at our current funding level of $674,000. These are outlined in my prepared text which you received in advance. I am not going to go through those. But I just might say that the two major themes of these objectives are meeting changing library and information needs and assessing the impact of technology on users of library and information services.

NCLIS PLANS FOR FISCAL YEAR 1984

I would like to concentrate for just a few moments on our plans for fiscal year 1984.

The work of the Commission can be divided into three major areas—our mandated activities, our long-standing efforts, and new initiatives.

Our first priority is working with the Congress and the administration, and that is mandated.

We will work with the Congress and the administration in developing an understanding of national and international policy issues concerning information technologies and library and information services.

For example, we will assist in the preparation of major Federal library legislation, technology issues, copyright, and statistics.

Our longstanding efforts fall into three categories: Improving library and information services to meet changing needs, increasing cooperation with the private sector concerning provision of information, and a rural information program, which is a good example of cooperation among Federal, State, local, and private sectors—both for-profit and not-for-profit.

Within this recommended budget, we would have to postpone our new initiatives; that is, our projects having to do with library services for the aging, and how information technology can improve productivity.

The unique role of the Commission is important to the future of library and information services in this country, because we feel that our presence at the Federal level provides a focal point for bringing together various constituencies and coordinating activities at the Federal, State, and local level.

You also know, because you know me well, that not only I but the entire Commission feels that adequate library and information services are essential to all citizens. In this country we cannot be first in anything unless we provide our people with the tools and resources they need to make them more knowledgeable and more productive.

We realize also that there are fiscal restraints and more money is not necessarily the only answer. We all need to be creative, and we are, and we continue to try to be.

The Commission looks for solutions to share with the library and information community. We have a good record in this area. But to maintain it with the President's budget request of $553,000 will indeed require great creativity, and as I mentioned before, postponement of two important projects—library and information service needs of the aging and how technology can improve productivity.

I don't have anything else to add, but I would certainly answer any questions you may have.

PROGRAM ON TECHNOLOGY AND PRODUCTIVITY

Senator WEICKER. Over the past half decade information handling has literally exploded into a major industry in this country as well as the rest of the industrialized world. I am pleased to note that you have given high priority to a program to assess the information environment of 1985. Yet in your budget justification you state:

> The 18-percent reduction in the budget is achieved by eliminating one senior level professional position and reducing program activities in the areas of the application of technology to increase productivity and improve library and information services.

Can you explain that for us?

Ms. HASHIM. Yes; I think Toni can do a better job at it. I will start and turn it over to her. This project is very important to us, and it has already begun this year. It's a new project, however, and money has been allocated to task forces working in other areas for a number of years, so we feel that we have to complete those things that have been started.

We also have a mandate to work with the Congress and the administration. Our new projects have very high priority as far as we are concerned, but an 18-percent cut for an agency our size would be so significant that we just really would not be able to do what we think is very important and what we would like to do.

Toni can elaborate on that.

Dr. BEARMAN. The recommendation for the 18 percent cut did not come from within our agency.

We feel that assessing the information environment of 1985 is absolutely critical. There is a myriad of studies out there telling us that because information will be delivered to the home, we'll have no need of libraries, and that the workplace is going to change dramatically. Very little information from all these studies has been made available to the library and information community, and this information has not been pulled together in one succinct synthesis, which we feel is absolutely critical.

What we are doing is taking a look at the population shifts and how they affect the library and information community. We have already identified some very major important shifts. For example, these include the fact that the portion of the population represented by senior citizens has increased nearly 30 percent in the last decade; the changing population shifts from urban to rural areas and from the Snow Belt to the Sun Belt; and the new ethnic groups that have come into our country in the last decade. All of these population shifts have a tremendous impact on our library community.

What we are doing in our study this year is to look at some of the new technologies in relation to these population shifts and our library and information services.

In order to do this with our very small staff of nine full-time and one half-time person, we have looked to outside resources and we have enlisted the support of the IBM Corp. They have donated to us two professional library and information specialists. IBM is paying their full salary and benefits and half of any travel required for the study.

The person working with us now is looking at all of the existing studies and analyzing and synthesizing them to determine the major technologies, the applications in the library and information field, and what we can expect in the year 1985—close-in, not blue-sky predictions.

We would very much like to continue this initiative. We hope to be able to continue it through the first quarter of 1984, in part because a major conference will be held in Washington, in which we are actively participating, on productivity in the information age.

In looking at how we could take an 18-percent cut in our budget, I was faced with a Hobson's choice: Do we cut the existing strong programs that we have had for a very long time or do we cut our absolutely critical new initiatives?

We have cut back on our travel and on every single thing we could. We are cutting back on journal subscriptions, which to a librarian like myself is very, very difficult to do. We are not even going to have the vital information resources we need. We are increasing our use of technology for teleconferencing to make better use of moving information rather than people. We have moved our offices to Federal space to save rent. We have done absolutely everything we can think of. Now it comes to cutting major programs and 20 percent of our professional staff.

HOBSON'S CHOICE

Senator WEICKER. I will give you a trivia question. Do you know where the expression "Hobson's Choice" came from?

Dr. BEARMAN. I wish I did. I know where to find the answer, but I don't know the answer.

Senator WEICKER. Hobson was a fellow who rented horses in England. I heard this on the radio the other day. People would go there to rent and ride the horse. You got the next horse in line. That was it. The next horse would come up and you would get it. There was no choice at all. That's where it came from.

Dr. BEARMAN. Well, thank you. I've learned something new today. There is a wonderful reference called *Whose What* which answers exactly those kinds of questions.

Senator WEICKER. You check and see if I'm not right on that. Look under Hobson's Livery Stable in England.

Dr. BEARMAN. I'm sure you are.

Senator WEICKER. In any event, we will try to see if we can take this out of the category of Hobson's Choice as far as you are concerned.

Ms. HASHIM. I think Dr. Moore would like to say a few words.

PROGRAM ON LIBRARY AND INFORMATION NEEDS OF THE ELDERLY

Dr. MOORE. I would like to say, first of all, that I have sort of a special role on this Commission. I have been on it since its inception. I have been the vice chairman who is elected by the members.

Our law, and I quote from it, says that we are:

> Charged with the analysis of the library and information needs of the Nation, including special library and information needs of the rural areas, of economically and socially and culturally deprived persons, and of elderly persons.

And it further states that "one person on the Commission shall be knowledgeable with respect to the library and information service needs of the elderly." I'm that person and am eminently qualified, because I have just celebrated my 80th birthday. I'm what the sociologists call the old old. [Laugher.]

Senator WEICKER. With a young, young mind.

Dr. MOORE. I know first hand what many of the problems of the elderly are and I have finally convinced the Commission that after 11 years in pursuing our goals it is time we really gave some attention to the needs of the elderly.

Obviously I'm the one who is most deeply concerned about this cut that will prevent us from pursuing this area of study.

There is a great deal of interest among Members of Congress, as you know, in the elderly. We are certainly getting a lot of attention, not all of it good. But with all the problems of social security and so on, we're creating a great deal of interest.

I'm pursuing this problem with the Select Committee on the Aging, because with all the things that are happening nobody except our Commission was concerned with the information needs of the elderly. We are very anxious to pursue this. Congressman Hammerschmidt of Arkansas has been greatly interested. Senator David Pryor of Arkansas, you'll remember, had great interest in this. The staff is interested in this. We have enlisted the support of the Administration on Aging to assist us.

In addition, private industry in this country is tremendously interested in the aging population. The Book Industry Study Group, which is a nonprofit group connected with the publishing industry, is updating a study they did in 1978 or 1979 on reading habits specifically of the young and the elderly, and they invited me to be a member of that committee in developing the questionnaire for this very extensive study. They have agreed to add questions which will be very helpful to the Commission in moving ahead on its study of the elderly.

I'm glad we will have that kind of research. This will be a very fine study that will give us some information on the needs of the elderly, and I'm especially pleased since it's going to be done by a private group and won't cost us anything. But it will be very helpful to us.

If we can move ahead in this field, it will be timely and will cost very little, and yet it will mean a great deal.

As the Commission's special representative for the elderly I am very grateful to you and to this committee and I hope you can move us ahead so we will be able to help in this area.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. We'll try. I thank you all very much for your attendance here and your testimony. We will see if we can have things worked out.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Proposed Decrease in Funding for Programs

QUESTION: Your budget request for FY '84 proposes an 18% or $121,000 reduction in your FY '83 operating budget of $674,000. Obviously, this could have a significant effect upon your goals, objectives and programs. Can you review for us your plans to cope with this budget cut and how this will affect your priorities?

ANSWER : The only way we can absorb a $121,000 cut is to reduce our professional staff to four and postpone both of our major new initiatives -- the impact of technology in the library and information area and on the productivity of knowledge workers, and the assessment of the library and information needs of and services to the elderly. Our priorities are:

(1) to carry out our mandated activities -- work with the Administration and Congress;

(2) to complete long-standing efforts -- increase cooperation with the private sector, improve library and information services to meet changing needs, continue the successful rural information program; and

(3) to carry out the new initiatives that address current issues of great importance as noted above.

With an operating budget of less than $674,000 we will be able to address only our first and second priorities. Work on the technology and productivity initiative, a very exciting project which we believe is our single most important project and which is the central information issue for our economy, and the senior citizens initiative, which is focused on the fastest growing population in our country, will be postponed until we have sufficient staff and funds to continue them.

QUESTION: The White House often states its interest in and support of literacy programs. Are you involved in this effort and if so, how will an 18% cut in your FY 1984 budget curtail your participation?

ANSWER : NCLIS is a member of the Coalition for Literacy which is involved in planning a three-year media awareness campaign to bring the problem of illiteracy and what can be done about it to the attention of the American public. We will not be able to continue our participation under an 18% cut in our FY 1984 budget as travel funds to attend meetings of the Coalition would have to be eliminated. Also, a reduction in program staff under the budget cut would require remaining staff to assume the responsibility of carrying out the Commission's highest priorities--its mandated and long standing activities--leaving little staff time available for new initiatives and other programs no matter how important they may be.

QUESTION: I understand that you may not be able to continue your initiative concerning the needs of the elderly. How important is this initiative to the goals of the Commission, and why have you decided to cut it?

ANSWER : This initiative is important to the goals of the Commission because our mandate under Public Law 91-345 states that the Commission shall have the primary responsibility for developing or recommending overall plans for and advising the appropriate governments and agencies on library and information services adequate to meet the needs of the people of the United States. We are also to conduct studies, surveys, and analyses of the library and informational needs of the Nation including elderly persons and how these needs can be met. If we must reduce the number of our professional staff, we have decided that the Commission will have a better chance of meeting its goals if entire programs are postponed rather than by reducing the level of activity in all programs. We see this initiative as an extremely important program and would prefer not to make the "Hobson's Choice" confronting us because of the devastating cuts recommended.

Other Proposed Decrease in Funding

QUESTION: On page 16 of your justification, you indicate a substantial reduction in the number of subscriptions. Isn't this an unusual goal for a library and information organization? How will this affect your mandate and purpose?

ANSWER : This very painful decision was required in order to find the dollars within our very tight budget to equal the $121,000 recommended cut. We do not see it as a goal but a necessary response to a fiscal policy. Because the cost of periodicals has increased significantly we will have to cancel some of our subscriptions. We will find it very difficult to remain current on library and information news, studies, reports, etc., as these are reported in periodicals first. Without current resources to address questions we will not be as efficient in providing information and services to those we serve, and we will also not operate as economically because time will be lost in obtaining the information from alternative sources.

QUESTION: You indicate a reduction of $23,000 in travel expenses. Can you describe for the record the reasons for travel within the mandate of the Commission and how will the reduction affect the work of the Commission?

ANSWER : Commissioners travel for the following reasons: 1) to attend three to four Commission meetings per year; 2) to attend Committee meetings as necessary; 3) to meet with and advise NCLIS staff on Commission programs; 4) to meet with members of Congress and testify at appropriation and other hearings; 5) to attend and participate in meetings of library and information professional and trade associations; and 6) to assist the implementation of Commission programs as needed.

Staff travel for the following reasons: 1) to attend Commission meetings; 2) to participate in meetings of library and information professional and trade associations; and 3) to assist the implementation of Commission programs as needed.

The proposed $23,000 reduction in travel will limit all travel to the bare essentials--Commission meetings, congressional hearings--and little else. We will attempt to make up for some of the decrease in travel funds by using new electronic technology more efficiently to send information to each other. This will not replace invaluable personal exchange.

Proposed Decrease in Staff

QUESTION: The total number of permanent positions would be decreased by one in fiscal 1984 going from the current level of 9 positions to 8. Will this have any effect on the Commission's program?

ANSWER : Though all agencies need to try to hold the line on spending, a $121,000 cut would be devastating to our agency and would mean eliminating half our major programs and reducing program staff by more than 20%. The same dollar cut from a larger agency, although painful, might not be as devastating.

With a smaller professional staff, in order to maintain the quality of our work, I have proposed eliminating entire parts of our overall program as opposed to trying to cut back in several areas. With fewer staff it is unreasonable to expect we could do as good a job, let alone a better one, on the same number of projects we are working on now.

OMB Appeal

QUESTION: Did you appeal this proposed [budget] reduction with OMB?

ANSWER : We appealed the proposed reduction to OMB, but were turned down. In early October we met with OMB budget examiners to discuss our proposed budget. When we received word that OMB was planning on recommending zero funding for FY 1984 we wrote to OMB Director David

Stockman asking that he reconsider this decision. In early December we received word that NCLIS would be in the President's budget request of the Congress, but at an 18% cut from the current funding level. We appealed this drastic reduction in funding to Mr. Kenneth Clarkson, OMB Associate Director. He said he would speak with Mr. Stockman; however, the final decision was to remain with the $553,000 budget request for FY 1984.

NCLIS Cooperative Programs with Other Agencies and Private Sector Organizations

QUESTION: I note that you have brought into your agency over $200,000 of personnel resources and more than 1,000 hours of expertise, all of which was contributed by the private sector. Please explain to this Subcommittee how you are able to achieve these significant cooperative efforts?

ANSWER : Actually we have brought in resources from both the public and private sector. The Commission has built a reputation among other Federal agencies and private sector organizations as an agency that is effective, that produces results, and that can bring together many sectors of the library and information community to work cooperatively on projects of mutual interest. The U.S. Department of Agriculture has loaned us a senior program officer to help facilitate its National Rural Information Program. IBM, which has loaned the Commission two of its research librarians for a year, sees NCLIS as an ideal Federal agency for expanding the expertise of some of its professional personnel. Several agencies will contribute funds to support a Commission study concerning appropriate guidelines for the provision of Federal information, because they are very interested in the results, and because they view NCLIS as a neutral party whose investigations will be perceived as balanced and thorough.

QUESTION: Do you see any growth in this direction for the future and if so, how may that growth affect your future budget request?

ANSWER : As long as we can maintain the basic level of in-house staff we will be able to use the services of experienced personnel on loan to us from other institutions and organizations, both public and private, for specific projects. In order to provide objective advice on library and information policy, it is imperative that the core staff be Federal employees, whose first loyalty is to the taxpayers and the Commission's mission, not to a private company. We are already discussing with IBM the names of possible candidates to serve as interns to NCLIS during FY 1984. At the same time, IBM and NCLIS are working with Drexel University School of Library and Information Science to provide an opportunity for graduate students to have a work experience at IBM. We also plan to expand this program to include other graduate schools in the library and information field, so we can continue to encourage bright young people to enter the information profession. I feel certain that as long as we can support assistance from outside of the Commission, we can obtain it and will continue to look for opportunities to do so.

Our future budget requests of the Administration will remain unchanged unless the Congress changes the authorization level for the Commission. Our current authorization level under the Budget Reconciliation Act is $700,000, the level of our budget request for the past three years. The authorization ceiling in our enabling legislation (P.L. 91-345) is $750,000.

Role as Honest Broker

QUESTION: In your justification document you referred to the Commission's role as "honest broker" and indicate that you are saving taxpayers dollars in filling this role. Please elaborate on this and give us some examples of how this effort is saving money.

ANSWER : The Commission organized a series of informational meetings with key officials in agencies in both the legislative and executive branches to discuss ways to improve the dissemination of Federal information. At the first of these meetings, two officials reported on activities in their agencies. Three different agencies were about to embark on studies of Federal information standards. Because of this meeting, the agencies were able to avoid unnecessary duplication of efforts, thus saving the taxpayers considerable sums of money. These informational meetings will continue throughout FY 1983 and will focus on topics such as: standard numbering issues for Government publications, the implications of the public/private sector task force recommendations, and other topics of mutual interest.

Also, in March we were contacted by a member of the Smithsonian's staff. They were planning to do a technology assurance study and had heard about a similar study being performed by the research associate on loan to us from IBM. It was decided that the information we had already gathered suited their needs. This made it unnecessary for them to spend the time and money to perform a study of their own.

Another example of a real savings we have helped effect is illustrated in the answer to the following question.

QUESTION: In your justification document you say that you are working with the National Center for Education Statistics. Please describe your work with them and explain why you think the area of statistics is a priority.

ANSWER : A prime example of the Commission's contributions to cost effectiveness and saving taxpayers dollars is its role in the collection of library-related statistics. The Commision has brought together staff from the National Center for Education Statistics and representatives of the Chief Officers of State Library Agencies with representatives of other major library and information associations to identify statistics needed and mechanisms for gathering and disseminating them more efficiently. These and other groups share a responsibility and need for current data on libraries and information services. At our first meeting, we identified significant potential overlap between data NCES planned to gather and data already available from surveys by the library associations, thus permitting NCES to avoid duplicating effort and to work with the library associations to gather data needed.

Gathering accurate library statistics is very important to the Commission's legislative mandate to ". . .conduct studies, surveys, and analyses of the library and informational needs of the Nation." In order to plan for better library and information services and policies, we need to have an accurate picture of the pattern and extent of library and information services, and with the increasingly limited resources available we need to be able to assess the potential for resource sharing and networking, and to target those resources to where they are most urgently needed.

Library statistics, as is true of statistics gathered by other professions, have tended to be product and production oriented. The real need is for a body of data about the markets for library and information services. This is the main thrust behind the proposed study on the library and information service needs of senior citizens. It is already a major component of the Commission's rural information program. Major changes or additions are needed in the kind of data gathered by library agencies.

Setting Commission Goals

QUESTION: In 1975 the Commission published a long range planning document that was endorsed by all the major library and information organizations in the country. There have been some rapid changes in this field -- what have you been doing to set new goals and objectives for the Commission? Do you plan to up-date your 1975 document?

ANSWER : Library and information policy development is a dynamic process. The Commission has enthusiastically assumed the leadership role in guiding this process and encouraging it to continue. During its first ten years, the Commission has been active on a great many fronts in pursuit of its mandate to establish policies that will help ensure that the citizens of the Nation have equal opportunity of access to library and information resources adequate to their needs. It has convened conferences and regional hearings, commissioned task forces and committees--all to meet its mandated responsibility of advising Congress and the President.

The 1975 program document entitled Toward a National Program for Library and Information Services: Goals for Action was a major needs assessment. Another major assessment was the White House Conference on Library and Information Services, which focused on user needs and is currently a major driving force behind the Commission's activities. A year ago the Commission finished a lengthy planning process which has set the direction and priorities for Commission programs during the next several years. Clearly the framework and the thrust of the Commission's efforts have changed over time as new needs are identified and old ones are resolved or become less important. While we have never actually up-dated the 1975 program document, and have no plans at present to do so, we continue to follow its guidance along with that of the subsequent major needs assessments that have been made over the last eight years.

UNESCO General Information Program

QUESTION: On page 4 of your justificaton you state that the Commission has assumed responsibility for the U.S. National Committee for the UNESCO General Information Program. Can you describe your participation in this program? Who pays for it?

ANSWER : In response to a request from the U.S. library and information community, which was supported by the Department of State, NCLIS agreed to assume responsibility for the U.S. National Committee for the UNESCO General Information Program (UNESCO/PGI). As Secretariat for this Committee, the Commission will serve as a focal point for the needs, interests, and views of the U.S. library and information community with respect to this program. By taking on this responsibility, NCLIS will be able to draw upon the extensive expertise of international library and information associations at minimal cost to the taxpayers. These associations represent both the for-profit and the not-for-profit components of the private sector, and they are expected to donate more than 500 hours of their time to the Commission. Specific activities to be performed will include: 1) advising the State Department on U.S. policy with regard to the UNESCO/PGI and on selection of U.S. delegates to various international meetings; 2) transmitting information between UNESCO and U.S. National Committee members; and 3) acting as a clearinghouse for requests received from UNESCO.

The library and information associations that make up the U.S. National Committee pay the Committee expenses.

NCLIS contribution is a maximum of one-half day per week for one Commission staff member.

Commission Recommendations and Studies

QUESTION: The 91st Congress charged the Commission on Libraries and Information Science with advising on policies and plans to best meet the library and information needs of the people of this country. Have any formal recommendations or studies been submitted to the President or Congress?

ANSWER : Since the Commission's inception in 1970 we have submitted numerous formal recommendations and studies to the President and to the Congress. A summary of our accomplishments between 1970 and 1980 may be found in the attached Annual Report, 1980-1981 of Commission activities, beginning on page 29. Examples of a major study and of major recommendations which have occurred recently follow.

1) Report of the Task Force on Public/Private Sector Interaction - The Task Force Report, Public Sector/Private Sector Interaction in Providing Information Services was published by the Commission in March 1982. The original charge to the task force stated that its purpose was:

> "to make a significant contribution to the delineation of the proper roles of government and private organizations with respect to the generation and dissemination of scientific, technical, business and other information."

More than 3,000 copies of the report were distributed to government agencies and officials, Members of Congress, librarians, professional and trade associations, and many other individuals and groups. NCLIS has received comments from many individuals throughout the country. All of these have been carefully reviewed and will be reflected in future actions as much as possible. The Public/Private Sector Task Force report has been widely commended as a valuable contribution to the futherance of public sector-private sector cooperation.

2) Recommendations concerning reauthorization of the Library Services and Construction Act (LSCA) - In December, 1982, Representative Paul Simon, Chairman of the House Subcommittee on Post Secondary Education issued a Discussion Draft of a Bill to Amend and Extend the Library Services and Construction Act. In February, the Commission commented on the proposed amendments as follows:

"We believe this proposed bill makes some necessary revisions to the current Act, in particular, ones that recognize and support the role of the public library to meet changing needs. We are gratified to see emphasis placed on meeting the needs of underserved populations making new information technologies available to users, expanding the concept of the public library to embrace that of a community information center, improving resource sharing among library and information institutions for the benefit of users, and generally permitting the states more discretion in determining the most critical library and information needs of their residents and how they may best be served through the use of LSCA funds. We are pleased to see the expansion of Title II to include renovation as well as construction. We are supportive of the intent of the new Title IV to encourage Indian tribes to provide public library services, and hope that the additional emphasis in Title I on meeting the needs of the elderly will encourage the states to increase their efforts at serving these needs. We encourage you and your committee to seek the opinions on the issues raised by the draft bill of as broad a representation of the library and information community in this country as possible."

3) Within the next six months we plan to submit to the Congress and the President reports with recommendations from the reports of three task forces: Library and Information Services to Cultural Minorities, Community Information and Referral Services, and the Role of the Special Library in Nationwide Networks and Cooperative Programs.

Impact on Budgetary Policy

QUESTION: Have your recommendations and studies had any impact on either budgetary policies or Federal library or information programs?

ANSWER : Yes, they have had an impact on both. To cite just a few examples:

1) In part because of the Commission's recommendation, the new Jobs Creation and Partnership Act includes $50 million for Library Construction.

2) Commission staff recommendations for ways to improve the National Agricultural Library are now being implemented.

3) NCLIS studies on information policy and information resources management have been used by OMB in the implementation of the Paperwork Reduction Act (P.L. 96-511).

4) Principles and recommendations in the report from the Commission's Task Force on Public/Private Sector Interaction have already been cited and used by the National Library of Medicine and the Government Printing Office. In addition the Commission is in the process of studying the implications and potential effects of the specific principles and recommendations of this report on Federal library and information programs and on their users. The Commission has analyzed the results of the report in terms of: 1) the Federal responsibility to foster development and use of information resources, products and services; and 2) the guidelines to resolve conflicts between the Federal government and the private sector concerning provision of information. NCLIS is examining the Federal role in making government information openly available and in encouraging private sector investment in the provision of information products and services. The Commission is also looking into the Federal role in providing commercial services and the Federal responsibility when using private sector information.

5) Regarding the reauthorization of LSCA, the Commission has been assisting Subcommittee staff for several months with the development of the Draft Discussion Bill. We have helped the library and information community express its ideas and then advised the Subcommittee staff on how to present these ideas in the proposed legislation. Though a bill has not yet been introduced in the House, we feel quite certain that it will reflect the major concerns of the library and information community as we see them.

Productivity and Knowledge Workers

QUESTION: How do you plan to study productivity of knowledge workers? Would this be done more cost-effectively by the private sector?

ANSWER : It was not our intention to imply that we would do the productivity study alone. Whether the study is done in-house, by contract or through a cooperative agreement between NCLIS and other public sector and/or private sector institutions is a matter that we shall have to determine as we plan the study. NCLIS's first responsibility will be to ask the questions, define the purpose and parameters of the study and consider the constraints. We must also determine how and where the results can be diffused so that they will have an impact on productivity. Whether the private sector or the public sector could do the study most effectively will be decided by following A-76 and other appropriate procurement guidelines. NCLIS intends to take a leadership role in planning for the study, monitoring it and evaluating it. This is in keeping with its mandate as advisor to the President and the Congress on all national policy matters that relate to library and information services.

One of the first questions that we have to ask is what kind of knowledge workers are we considering. Are we talking about how effectively they are working within, for example, their own office environment, in support of management; or are we studying such knowledge workers as extension agents and special librarians, whose functions are to provide the kind of information needed to increase productivity on a larger scale? Should we be studying both?

QUESTION: What are "knowledge workers"?

ANSWER : Knowledge workers are sometimes referred to as "office based professionals." They are the professionals who find, create, and make information useable for the benefit of workers in other sectors of our economy. They include lawyers, managers, bankers, and numerous others.

Line Item Increase

QUESTION: What is meant by other services on page 14 of your justification? Why is there a $7,000 increase in this item?

ANSWER : The "other services" line item in the NCLIS budget is for management evaluation, consultant services, communications services, and related items. Part of the $7,000 increase in this line item will be used for the purchase of online access to database systems to keep us abreast of information concerning changes in our field. With the necessary decrease in the number of periodical subscriptions we will at least have available to us knowledge of journal contents. This is not a totally satisfactory way to stay at the forefront of the library and information profession. Another part of the $7,000 will be used for increased electronic mail services needed to increase the efficiency of communications among Commissioners, staff, and library and information organizations and institutions to partially compensate for reduced travel.

NCLIS and the Library of Congress

QUESTION: How do the services you provide complement those made available by the Library of Congress?

ANSWER : The Library of Congress, with 500 times the staff of the National Commission on Libraries and Information

Science, is the library for Congress and, as such it provides library and information services in all subject areas to Congress, the Executive Branch, and the general public. NCLIS is a permanent independent agency established by law to advise both the Executive and Legislative branches on policy and planning in the library and information field. The Commission also provides information about the entire library and information field to Congress, the Executive Branch, and the library and information community. The Library of Congress is an operating library; NCLIS is a resident expert body which provides advice, provides a forum for the library and information community, and serves as a catalyst for important programs to solve problems identified by the community. Commission responsibilities such as: a) identifying the appropriate role of the government vis a vis that of the private sector in disseminating information; b) recommending a compromise between the library and publishing communities for the Copyright Act of 1976; c) examining the role of school library media programs in networking; d) identifying means of improving state aid to public libraries; e) working with the Library of Congress and the Federal Library Committee to improve intergovernmental library cooperation are not within the Library of Congress purview, nor could it undertake them. In part to ensure close communication between NCLIS and the Library of Congress, Congress mandated that the Librarian of Congress serve as the only permanent member of the Commission.

Rural Information Program

QUESTION: I am interested in your efforts to improve the quality of library and information services to our citizens living in rural areas. Would you please tell us more about what you are doing in these programs.

ANSWER : In 1978, the National Agricultural Library (NAL) component of USDA's Science and Education Administration responded to a White House request for innovative initiatives in support of the White House Conference on Small Business. NAL submitted an "Innovative Initiative to Focus Useful Scientific, Technical and Social Information to the Small Businessman, the Farmer and Local Community Groups.* The Initiative was also submitted to the Commission during its July 26-28, 1979 meeting where it was unanimously endorsed because so much of its content concerned the Commission's responsibility as an advisor to the President and the Congress in all matters relating to library and information services. By chance, the White House Conference on Library and Information Services (November 15, 1979) was scheduled only a few months prior to the

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*In 1978, the National Agricultural Library was also called "Technical Information Systems."

White House Conference on Small Business (January 13-17, 1980.)

The USDA initiative proposed to make the rural community library a one-stop shopping center for scientific, technical, business and societal information by strengthening or revitalizing the community public library as an information center.

To quote from the Initiative, "USDA proposes the following initiatives and thrusts, some of which are already underway, some which require USDA program support (subject to the availability of funds and resources), some of which require coordinated effort between USDA and other agencies [emphasis added] and all of which require complete cooperation and understanding between the private sector, local communities, State governments, State universities and the Federal Government."

It is extremely difficult, if not impossible, to maintain a non-funded, innovative program of such large scope in a large operating agency such as USDA. Time and competitive programs tend to erode its base. Therefore, USDA and the Commission negotiated an agreement to transfer the leadership of the National Rural Information Services Development Program (NRISDP)*to NCLIS in 1980. Meanwhile USDA has continued to give excellent support to the Commission. The decision to transfer responsibility for the early development of NRISDP to the Commission has proved to be the correct one. The program has been very successful as may be seen in the following paragraphs.

The Intermountain Community Learning/Information Services (ICLIS) Project. ICLIS is a regional consortium, which has as its major objective the delivery of library and information services to the rural communities in the four state region of Colorado, Montana, Utah, Wyoming. The strength of the consortium is in the close working relationship that has developed between the respective State Extension Agencies, library agencies, Land grant Universities and local community leaders. The project needed national exposure, high level Federal and business contacts and expert consultation.

During FY '82 the ICLIS leadership was able to participate in a computer-based information systems and services in agriculture workshop chaired by Congressman George E. Brown (D. California), and in a Joint Congressional hearing on the Changing Information Needs of Rural America also Chaired by Congressman Brown, who was joined by Senator Mark Andrews (R-North Dakota) at the Commission's suggestion. The Commission has also arranged for repre-

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*The program was named National Rural Information Services Development Program in 1982 after the Commission identified it as one of its priorities.

sentatives from the Intermountain Consortium to describe their program at the annual meetings of major library and information associations.

The Commission staff has also given direct assistance and advice to the Consortium. A staff member has attended and participated in each of five ICLIS planning sessions. Commissioner Margaret Warden, a Montana resident, has worked directly with the NRISDP program at the national and state levels.

Case Western Reserve University's School of Library Science (Cleveland, Ohio) Course on Information for Small Enterprises. Original funding for the writing of this three-day course was from the National Agricultural Library. NCLIS staff has worked with the principal investigator to modify the course in response to changing needs. Ninety rural and community librarians in Ohio and Minnesota have taken the course. It will be given at the University of Illinois School of Library and Information Science this Spring, once again at the urging of the Commission. A textbook based on this course is expected to be published by a commercial publisher in 1983. Commission staff provided the catalyst for this project.

Clarion State College's Center for Rural Librarianship (Clarion, Pa.) Clarion State College's School of Library Science has taken a leadership role in surveying rural library service needs. The Commission arranged, as it did for the Intermountain Consortium, for the Center's Director to participate in the agricultural workshop and the Joint Congressional Hearing.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will meet again March 21 at 9 a.m. at which time Educational Research and Statistics, Bilingual Education, and Libraries will appear before the subcommittee. Senator Hatfield will chair that.

[Whereupon at 10:12 a.m., Thursday, March 17, the subcommittee was recessed, to reconvene at 9 a.m., Monday, March 21.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, MARCH 21, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room S-126, the Capitol, Hon. Mark O. Hatfield presiding.

Present: Senators Hatfield and Proxmire.

DEPARTMENT OF EDUCATION

LIBRARIES

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

ACCOMPANIED BY:

MALCOLM DAVIS, DIRECTOR, OFFICE OF LIBRARIES AND LEARNING TECHNOLOGIES

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

OPENING REMARKS

Senator HATFIELD. Good morning.

The meeting will please come to order.

Today we will conclude our hearings on the 1984 budget proposal for the Department of Education.

We have three accounts to cover this morning: libraries, education research and statistics, and bilingual education.

We will begin today with the testimony regarding the proposal for libraries, which, if I'm not mistaken includes no funds for any library activity at the Federal level.

We have a series of questions about that proposal. Just to disabuse you now, we will have funds in the budget when we mark it up——

[Laughter.]

Senator HATFIELD [continuing]. So that we can get ourselves on the right frequency, and maybe we can get your help of where they should best be applied.

We will then turn to educational research and statistics, and finally to the bilingual education programs.

We're very happy to welcome you, Dr. Senese, as the witness today on library proposals.

If you will introduce your colleagues, we will place your full statement in the record and then proceed with a summary and highlight as you wish.

Then we will ask questions.

So, Mr. Secretary, if you will proceed on that basis, we're delighted——

Senator PROXMIRE. Mr. Chairman, if you will just yield for a moment, I had no opening statement, but I can't resist reacting to your proper observation.

It would be ridiculous, given the biggest budget the U.S. Government has ever had in its history, by far, and at a time when our military spending is exploding to spend absolutely nothing whatsoever—zero, zip—on libraries, and to say, as has been indicated, that there are higher priorities. It's hard for me to think of a higher priority as far as education is concerned than a library.

While both Chairman Hatfield and I have been critical of excessive spending everywhere and have done our best to try to cut it back, I must say that I wouldn't want to start or finish with libraries.

Senator HATFIELD. Thank you, Senator.

That's why we feel so sympatico on so many things. I'm glad we hold similar views on this.

I don't want to prejudge your testimony, Dr. Senese. But I do think it's well for you to understand where we're coming from because, as Senator Proxmire has indicated, the very foundation of a democratic society is education. And education must not just be, in the formal sense, in schools, but access to data and information through which the public can gain understanding. And that's libraries, both in the schools and in the public as well.

The Soviet Union talks about high literacy in some other closed societies. But when you look at the access to data that they have, there is little or no access, except for predigested data that they want the people to read.

That's why we must protect this great cornerstone of our freedom, which is the ability to seek information that may be contrary to even the prevailing viewpoint. But there it is, and we can read it and we can study it. We have access to it. That's just so fundamental to the whole democratic system.

But you didn't come to listen to us. We came to listen to you.

Dr. SENESE. Thank you very much. It's good to be here.

INTRODUCTION OF ASSOCIATES

I'd like to introduce the two people with me this morning.

On my right is Malcolm Davis, Director of the Office of Libraries and Learning Technologies.

And on my left is Sally Christensen, Director of Budget Service, Office of Planning, Budget, and Evaluation.

Senator HATFIELD. Welcome to both of you. Dr. Senese, the full text of your statement will be placed in the record.

[The statement follows:]

STATEMENT OF DONALD J. SENESE

We appreciate this opportunity to appear before you to discuss the 1984 budget for the Libraries account.

General Remarks

For fiscal year 1984, the Administration is not requesting any funds for library programs. This action reflects our decision to concentrate limited resources on higher priorities, including the disadvantaged, the handicapped, and needy college students; and our recognition that State and local governments are in a better position to assume responsibility for basic library services.

We realize the importance of maintaining the quality of library services throughout the Nation. We are also cognizant of the impact inflation and new technologies are having on the delivery of library services. However, in our task to reduce overall Federal funding, without severely affecting critical basic educational services, we believe major cuts in Federal library programs can be justified.

During the past 25 years, more than $2 billion in Federal funds have been used to provide increased access to public library and information services in areas where services were inadequate and for special populations. These funds have assisted the States in extending public library services, wherever feasible, to nearly every area of the Nation and in improving access for various target groups

including the disadvantaged, limited English proficient, elderly, State institutionalized, and blind and handicapped. These funds have also improved the ability of States to extend services through resource sharing and networking.

Fiscal Year 1984 Budget Request

No funds are requested for Public Library Services or Interlibrary Cooperation, both of which are authorized under the Library Services and Construction Act. Largely through the assistance provided by this act, about 96 percent of the total population now has access to public library services, compared to only 56 percent in 1956 when the program began. Also, States now have a greater capability of utilizing interlibrary cooperation and networking to maintain public library and information services deemed necessary at State and local levels. Private resources could also be sought by State and local governments to augment these primarily tax supported services.

No funds are requested for the discretionary grant library programs authorized by Title II of the Higher Education Act. We feel the elimination of these relatively small discretionary programs will have a very minimal impact in the overall delivery of library services.

The College Library Resources program provides grants to colleges in the amount of less than $900. These funds are not a significant item in the budgets of most college libraries.

The Library Career Training and Library Research and Demonstrations programs are small discretionary grant activities which can be maintained by State and local efforts. Other Federal discretionary program authorities will also be available to conduct R&D activities that relate to libraries.

The Research Libraries program has provided grants that help strengthen library collections that serve very specialized and scholarly research efforts. We feel that private sources of funds are available to our Nation's top universities, and that these private groups have the capacity to select those library collections which contribute most to higher education research programs.

Conclusion

In conclusion, I believe that higher education library services are vital to scholarly learning and research. The programs in this account have made significant contributions during the past 25 years. However, I feel that non-Federal agencies are in a better position to support and improve both local library services and library resources that must be available to scholars and researchers in our colleges and universities.

Thank you, Mr. Chairman, for giving me this opportunity to address your Committee. My colleagues and I will be happy to answer any questions you may have.

Biography of Donald J. Senese

Name : Donald J. Senese

Position : Assistant Secretary
Educational Research and Improvement

Birthplace and Date : Chicago, Illinois - April 6, 1942

Education : B.S., Loyola University of Chicago, 1964
M.A., University of South Carolina, 1966
Ph.D., University of South Carolina, 1970

Experience

8/81 - Present : Assistant Secretary of Educational Research and Improvement
U.S. Department of Education

5/81 - 8/81 : Consultant, U.S. Department of Education

1976 - 4/1981 : Senior Research Associate, House Republican Study Committee, U.S. House of Representatives

1973 - 1976 : Chief Legislative Assistant, Representative Bill Archer of Texas

1973 : Legislative Assistant and Newsletter Editor, Senator William L. Scott of Virginia

1969 - 1972 : Associate Professor of History
(Radford University; Radford, Virginia)

Additional Experience : Member of the General Administration Board of the U.S. Department of Agriculture Graduate School (1975-1980; 1981-)

*Elected to the National Board of Directors and to the Executive Committee of the University Professors for Academic Order

*Member of the Board of Advisors of the Foundation the Advancement of the Public Trust, Inc.

Selected by the Alexandria City Council to serve on the Alexandria Historical Records Commission (March 1979-1981; Reappointed 1981-)

: Served on Research Staff for Subcommittee on Human Resources for the 1980 Committee on Resolutions

Served as Government Fellow in program on health issues

Served on Transition Task Force for U.S. Education Department and for the U.S. Department of Health and Human Services for the President-Elect.

Publications :

Numerous articles and book reviews in publications such as: American Education; Asia Mail; The Classical Outlook; Commonsense; Family Protection Report; Free Asia Report; The Freeman; History Today; Human Events; ISI Campus Report; The Journal of Social and Political Studies, Modern Age; New Guard; National Review; Policy Review; Private Practice; South Carolina Law Review; The State Factor; Universitas; The University Bookman.

Book Chapters

"The Historical and Cultural Roots of Modern China," in China: The Turning Point (1976).

"Korea: Its Role in World History," in Korea in The World Today (1976).

"Reassessments for Taiwan, Japan, and South Korea: U.S. Reliability in Asia," About Face: The China Decision and Its Consequences (1979).

* Resigned upon U.S. Senate Confirmation

Books

Indexing the Inflationary Impact of Taxes: The Necessary Economic Reform, Washington, D. C.: The Heritage Foundation, 1978.

Modernizing the Chinese Dragon: The Prospective Impact of Western Aid Technology on Mainland China, Washington, D.C.: The Council on American Affairs, 1980.
(This book received a Freedoms Foundation Award from the Freedoms Foundation at Valley Forge, Pennsylvania.)

Ideas Confront Reality: An Analysis of Critical Issues in the Reagan Era (editor), Washington, D.C.: U.S. Department of Agriculture Graduate School Press, 1981.

Asianomics: Challenge and Change in Northeast Asia, Washington, D.C.: The Council on American Affairs, 1982.

SUMMARY OF STATEMENT

Dr. SENESE. I would like to just give highlights of my statement.

Mr. Chairman and members of the committee, we appreciate this opportunity to appear before you to discuss the 1984 budget for the libraries account.

For fiscal year 1984, the administration is not requesting any funds for library programs. This action reflects our decision to concentrate limited resources on higher priorities, including education programs for the disadvantaged, the handicapped, and needy college students. Moreover, we recognize that State and local governments are in a better position to assume responsibility for basic library services. We realize the importance of maintaining the quality of library services throughout the Nation. However, in our task to reduce overall Federal funding, without severely affecting critical basic educational services, we believe major cuts in Federal library programs can be justified.

During the past 25 years, more than $2 billion in Federal funds have been used to provide increased access to public library and information services in areas where services were inadequate, and for special populations. These funds have assisted the States in extending public library services to nearly every area of the Nation and in improving access to library services, especially services offered to the disadvantaged and handicapped persons. These funds have also improved the ability of States to extend services through resource sharing and networking.

No funds are requested for programs authorized under the Library Services and Construction Act. Largely through the assistance provided by this act, about 96 percent of the total population now has access to public library services, compared to only 56 percent when the program began.

At this time, we feel that local jurisdictions, private resources, and new technologies can be tapped to a greater degree to help maintain the quality of library research in colleges and universities. Therefore, no funds are requested for the discretionary grant library programs authorized by title II of the Higher Education Act. We feel the elimination of these programs will have a very minimal impact in the overall delivery of library services. These discretionary grant programs include the college library resources program, the library career training and library research and demonstration programs, and the research libraries program.

Mr. Chairman, let me conclude by saying that I believe library services are vital to learning at all levels of education. I recognize that the programs in this account have made significant contributions during the past 25 years. However, I feel that non-Federal agencies are in a better position to support and improve both local library services for local communities and the scholarly resources that should be available to college and university researchers.

Thank you, Mr. Chairman, for giving me this opportunity to address your committee. My colleagues and I will be happy to answer any questions you may have.

Senator HATFIELD. Thank you very much. I appreciate the succinctness with which you summarized your statement.

LIBRARY SERVICES IN OREGON

Dr. Senese, let me give you sort of a case history, to get to a question that I think will apply broadly. According to the budget justifications of the Department of Education, Federal library assistance provides, I believe, about 5 percent of a State's share of library funding?

Dr. SENESE. That's correct.

Senator HATFIELD. Now, as in most States, of course, it has a very special impact in my State of Oregon.

In Oregon, for instance, the Federal library funds amount to about one-third of the budget of the State library which purchases materials and shares these resources with small community libraries, which constitute most of the libraries in my State.

They also provide services to those small libraries, the Oregon Regional Union List of Serials, which as you know is an update on all the journals and periodicals that are available throughout the State.

That has, of course, resulted in a lot of savings for our small community libraries. Now, you indicate that you expect the State to be able to take on these responsibilities in greater share than they have in the past, and that is well and good, I think, in terms of theory.

But when you look at the specific economic circumstances in which my State and many other States find themselves, this is what is happening in my State as far as libraries are concerned.

Let's take the Portland Public Library. This is the largest city in our State. It's the urban center. The Portland Public Library had to reduce its budget by 5½ percent. That doesn't sound like a great deal.

But that was last year. This year, they are reducing it another 26 percent. So when you add those two together, that's 31½ percent.

That's almost a one-third reduction that they have had to make in this 2-year period. Now, that has had various and sundry applications, as far as they have handled it.

We have now closed two of the branch libraries, totally. They have had to reduce the hours of all the libraries. They decided rather than losing personnel, that they would furlough them for 1 day out of the week.

So all of this has meant that they have had to take very, very drastic steps to face those local economic circumstances.

I guess my basic question to you is how do you really justify this thesis that you relate to us, that somehow the State and local government should take on these responsibilities.

ABILITY OF STATES TO FINANCE LIBRARY SERVICES

I want to know to what extent you have made an investigation of the ability of the counties and the cities and the States to take on this added responsibility at this particular time.

Did you make this request of the OMB? Was this excised by OMB? Or did you make a request initially?

Dr. SENESE. We made a request. Our policy was a result of discussion between the Department and OMB.

Ms. CHRISTENSEN. It was a joint agreement, Senator, between the Department and OMB.

Senator HATFIELD. So you stand guilty along with OMB, then, for this particular——

Ms. CHRISTENSEN. We're responsible for this policy along with OMB.

Senator HATFIELD. Responsible is probably a better word than guilty.

Again, what kind of investigation, what kind of assessment did you make of the capability of the State and local areas to assume the additional burden at this particular time?

Dr. SENESE. We feel that the provision of library services should be a State and local responsibility. As the economy improves we think some of the problems, such as libraries closing on certain days and cutting back on staff, would be remedied as additional State and local funds become available.

Also, I think there's a real possibility that funds from private sources will become available. The New York Public Library, for example, had to close on Thursdays as a budget-cutting device, but was able to secure private funding in order to open that extra day.

So we think there's the possibility that libraries throughout the country, when the economy improves, would be able to make up the loss of Federal funding from private sources.

Senator HATFIELD. You're really confident of that?

Dr. SENESE. Yes, I am.

Senator HATFIELD. I didn't quite understand what your data base was to make that conclusion.

Dr. SENESE. You mean as far as what sources——

Senator HATFIELD. Are you expressing an opinion or did you make some kind of a survey, and develop some kind of a factual data base upon which to make that decision?

Dr. SENESE. I think basically our policy is based on the philosophy that there should be a shift in Federal responsibility.

Senator HATFIELD. All right. So it's a philosophy, rather than an actual analysis of the circumstances.

Dr. SENESE. I would say it is a combination of both. We have spent a total of $2 billion so far in this program. We feel that it has been successful and that it is time that we shift emphasis to other areas of need.

BASIS FOR ANALYSIS

Senator HATFIELD. OK. Let's extrapolate the analytical part of it, and tell me again upon what basis you made the analysis; you said a combination of philosophy and analysis.

What is the analysis? That is what I'm trying to get at.

Dr. SENESE. Of the total funding for public libraries Federal funds make up around 5 percent, 82 percent comes from local sources, and 13 percent from State resources. The Federal share in that is so small that the impact of Federal withdrawal would be minimal.

If the Federal share of library funding in that were 40, 50, or 60 percent, it would have a much more significant impact.

We also feel this does not completely eliminate the Federal role for libraries, because the National Endowment for the Humanities Act makes library grants. In our own office, the National Center of Education Statistics would continue to collect statistics on libraries.

The National Institute for Education can conduct research in the area of library and information services. We also have a continuation of the National Commission on Libraries and Information Science. So we're talking about a continuing Federal role and a very small loss in overall funding.

Senator HATFIELD. Was there an input from the State and locals into your analysis?

Dr. SENESE. No; I don't believe so.

Ms. CHRISTENSEN. No; but we should point out that most States now have their own programs to assist their local libraries.

Senator HATFIELD. Could you get me a list of those States? I'd like to know.

[The information follows:]

STATE AID TO LOCAL LIBRARIES

All States except New Hampshire, South Dakota, Utah, Washington, and Wyoming have programs of State aid to local libraries. In addition, the following have a single library system which is funded at the State or territorial level: Hawaii, District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Marianna Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands.

LSCA TITLE I PRIORITIES

Senator HATFIELD. Could I just carry this one step further? I believe that the Federal role is pretty well targeted; is it not?

Dr. SENESE. That's correct.

Senator HATFIELD. Am I correct to say that the Federal role that has been played in the past that you now want to eliminate has been specifically targeted to the disadvantaged, the homebound, the elderly, handicapped? The ones who have special linguistic difficulties or deficiencies, the institutionalized?

Aren't those national concerns?

Dr. SENESE. Yes, Senator, they are national concerns. But I think we made a great deal of progress in bringing services to these people.

Senator HATFIELD. Who is we?

Dr. SENESE. The Federal Government, through this program. But I think that effort can be continued by State and local efforts and private sources.

Senator HATFIELD. You think or you hope?

Dr. SENESE. I think. I believe.

Senator HATFIELD. But you tell me it was done on the basis of philosophy. So that's really kind of a hope or wish, rather than really any solid base.

I'm not really sure that you have given me any information of an input of the State and local areas to be able to demonstrate capability.

As far as I can analyze, this is all philosophy.

Dr. SENESE. I think the strongest argument is that most of the funding for public libraries comes from non-Federal sources. And the Federal funding provides about 5 percent of the total.

Senator HATFIELD. A very important 5 percent that's targeted.

Dr. SENESE. Yes; but I think that area can be picked up by the State and local governments, plus private support.

Senator HATFIELD. What gives you reason to believe that?

Dr. SENESE. Because I think it is good public policy for State and locals to continue to serve these populations.

Senator HATFIELD. It's not good Federal public policy to continue it?

Dr. SENESE. I think we have done a lot by providing the seed money for these programs over the past 25 years.

I think it's time that we shift emphasis. Second, I think it's a matter of continuing Federal concern.

Senator HATFIELD. But in shifting emphasis, you are advocating a new Federal role.

Dr. SENESE. As far as direct financial support, yes.

PRESERVATION OF RESEARCH LIBRARY MATERIALS

Senator HATFIELD. I think I am going to submit some other questions here to you, Dr. Senese, for your response. Let me turn just momentarily to another area of special interest that I have, and that's in research libraries.

In fiscal year 1983, I believe we have provided $6 million in that particular area. Is that correct?

Dr. SENESE. That is correct.

Senator HATFIELD. I am sure you are aware of many of these articles and other materials that are being increasingly focused upon about the terrible deterioration that's occurring in our libraries' materials, for various reasons.

The high acid content of the paper in the books, and other matters are creating this deterioration. Some people have indicated we will not have library facilities in terms of those particular books.

Some of them are very valuable. Others we can reproduce, and so forth, but some of them are not replaceable at all.

Are you aware that we are losing literally millions of volumes that are a century old or older, because of this failure to deal with the problems of maintenance, restoration, and prevention?

Dr. SENESE. Yes; that's a growing concern in the scholarly community.

Senator HATFIELD. What is your assessment of that problem in relation to what the Department's role is, and what should be done?

Dr. SENESE. I think the Department has provided very essential aid in the areas of preservation, collection development, and bibliographic control.

But again, this is an area where we feel the Federal role is limited. We can turn to other resources. Among those other resources is the National Endowment for the Humanities, plus private research funds that can take up that slack.

Senator HATFIELD. The National Endowment is another Federal agency, though.

Dr. SENESE. That's correct.

Senator HATFIELD. You want to shift that responsibility from your Department over to the National Endowment, as far as the Federal role is concerned?

Dr. SENESE. Well, they have supported those types of activities.

Senator HATFIELD. I know. But you want to advocate this for the responsibility that now is vested in your Department? Or should be?

Dr. SENESE. Yes; between 1978 and 1982, we have provided a total of about $28 million for this area, and we feel that this can be taken up by other resources, other agencies.

Senator HATFIELD. What resources are there available? Could you give me a list of them?

Dr. SENESE. Yes; I would be glad to submit a list for the record.

[The information follows:]

EXAMPLES OF PRIVATE (NONPROFIT AND FOR PROFIT) SUPPORT FOR RESEARCH LIBRARIES

Pear Foundation.—$1 million to Johns Hopkins University to develop an on-line catalog.

Moody Foundation.—$300,000 to Rosenberg Library (Galveston, Tex.) for the purchase of rare materials dealing with the Gulf Coast and the history of Galveston.

Also awarded $10,000 to University of Houston for research and publication of the work of Nicholas Clayton, 19th century architect.

Alfred P. Sloan Foundation.—$100,000 to the research libraries group (Stanford, Calif.) to strengthen that information network.

Charles A. Dana Foundation.—$100,000 to the research libraries group for supplemental support.

Vincent Astor Foundation.—$1 million to NYC public libraries (research libraries) to match a National Endowment for the Humanities grant to improve services. (NEH had awarded $2 million to NYC to attract matching funds.)

Chase Manhattan Bank.—$375,000 to NYC public libraries (research libraries) to reopen on Thursdays.

Kerr Foundation.—$200,000 to University of Oklahoma to enhance collection development; should also generate $400,000 in matching funds.

PRIVATE FUNDS FOR RESEARCH LIBRARIES

Senator HATFIELD. All right.

Are you playing any role of helping the libraries to know the sources of such private support, if there is private support available?

Mr. DAVIS. We intend to conduct a study to determine alternative sources of funding for libraries, both college and university, as well as school and public libraries.

Senator HATFIELD. You're doing a study?

Mr. DAVIS. Yes, sir.

Senator HATFIELD. When will that study be completed?

Mr. DAVIS. In approximately 1 year.

Senator HATFIELD. Do you have funds for that to complete it?

Mr. DAVIS. Yes, sir. Fiscal year 1983 funds.

Senator HATFIELD. What will that study tell us?

Mr. DAVIS. We intend to look at alternative sources of funding for publicly supported libraries.

That study is scheduled to begin at the beginning of the new fiscal year. It will take approximately 1 year.

Dr. SENESE. There are such foundations as the Moody Foundation, Pear Foundation, Kerr Foundation that have provided assistance to libraries.

We feel that once this study is complete, it will be an important resource for libraries seeking alternative funding resources.

Senator HATFIELD. You don't think it's important to have a transitional period, having a prospective date in which the Federal role in your Department would be eliminated?

But in the meantime, there has to be in place some kind of a substitute?

Dr. SENESE. Since we served notice last year that we were intending to phase out the Federal support for libraries, I think the various institutions and States ought to be aware of our intention in that area.

Senator HATFIELD. What have you done in this year to assist them to know these sources?

Dr. SENESE. I think the study Dr. Davis——

Senator HATFIELD. That study is not complete. You have done nothing, then, in this year to assist them?

Mr. DAVIS. We used the funds from this year. The activity is beginning to develop. The process for getting the research contract established began with the authorization from Congress to spend the money in those areas.

Senator HATFIELD. But there have been no services rendered as such?

Mr. DAVIS. No, sir.

Dr. SENESE. But I think the information has been provided through library periodicals and education publications on the availability of this funding.

CONTINUATION OF DEPARTMENT OF EDUCATION

Senator HATFIELD. Dr. Senese, as Assistant Secretary, what is your position on the goal to abolish the Department of Education?

Dr. SENESE. I would support any role the President or Secretary of Education would take to reduce it from a Cabinet-level department.

Senator HATFIELD. So in the meantime, you can phase out as many programs as possible toward that end, then?

Dr. SENESE. For library programs, there were two reasons. One was that we felt the Federal role was minimal and, therefore, it was time to shift emphasis.

Second of all, we needed to devote limited resources to other areas.

Senator HATFIELD. Over my high school doors, years and years ago, were two phrases. Over one door, it said "Enter to grow in wisdom."

Over the other door, "Education, the defense of the State."

Sort of the little homilies that we didn't pay much attention to as students, but that I reflect upon now. I realize increasingly the importance of education to this important estate, for the actual foundation of the State.

And education I do not restrict to the formal school classroom.

Education is an ongoing life experience.

Therefore, such facilities as libraries, I think are fundamental to that.

Ms. CHRISTENSEN. Mr. Chairman, you know there's one change between our proposal this year and last year. That is, last year we proposed a rescission. This year, we're not doing that.

Because there are current funded programs in the account, we wanted to allow the States and local agencies ample time to prepare for this.

Senator HATFIELD. The rescission was not approved.

Ms. CHRISTENSEN. It was not approved. My point is we're not proposing one this year.

Senator HATFIELD. Yes.

I hope you don't anticipate being out of business in this field next year, and let any of your personnel go, or anything like that, because I think Senator Proxmire and I can give you pretty good assurances this morning that you are going to be in business next year in this area.

Senator Proxmire?

TWENTY-FIVE YEARS OF FEDERAL SUPPORT FOR LIBRARIES

Senator PROXMIRE. Thank you, Mr. Chairman. I notice in the third paragraph of your general remarks, Dr. Senese, you say, and I quote: "During the past 25 years, more than $2 billion in Federal funds have been used to provide increased access to public library and information services." Two billion dollars sounds like a lot of money, and is a lot of money. But that total covers 25 years. If I divide 25 into $2 billion I get $80 million a year. Then I divide that into the number of people in the country, and it comes to 40 cents a person per year.

When I was a reporter on a paper in Wisconsin, years ago, in 1950, I remember going into a little town that had seven taverns and one library. The one library was open on Wednesdays from 2:30 to 4 p.m. That was it. I thought that indicated a peculiar sense of priorities.

I am not so sure we can, or should, as a Nation, leave this matter entirely to localities, because, as the chairman has indicated, libraries are such an absolutely vital part of the opportunity for people to get the information they need to be enlightened enough to be good citizens in a democracy.

COLLEGE LIBRARY RESOURCES GRANTS NOT NEEDS BASED

Let me ask you this: In discussing your 1983 college library resource budget of $1,920,000, you say in your justification that it is expected to support grants to about 2,200 post-secondary institutions with the grants averaging about $870 per institution.

Why don't you target larger amounts of funds to a few institutions with the greatest need, or isn't that permitted under law?

Dr. SENESE. I would like to ask——

Senator PROXMIRE. That's such a tiny amount for most institutions.

Dr. SENESE. I know. We have dealt with this problem before. Dr. Davis has a comment on some of the specifics of the history of that program.

Mr. DAVIS. The legislation requires sharing the money among all eligible applicants. In previous years, we have recommended that the money be targeted to the most needy of institutions. Congress would not accept that recommendation, preferring that the money be shared equally among all of the eligible institutions that make application.

Senator PROXMIRE. You say Congress. Is that a matter of law?

Mr. DAVIS. The legislation calls for sharing of the funds by all institutions.

We have at various times made the recommendation that the funds be targeted——

Senator PROXMIRE. When was the last time you sent a targeting recommendation to the Congress?

Mr. DAVIS. In 1979.

Senator PROXMIRE. 1979?

Mr. DAVIS. Yes, sir.

Senator PROXMIRE. You favor targeting?

Mr. DAVIS. Yes; I personally favor it.

Senator PROXMIRE. You do?

Mr. DAVIS. Yes; I do.

Senator PROXMIRE. Does the Secretary favor targeting?

Mr. DAVIS. I haven't asked him, sir.

Senator PROXMIRE. You might ask him. It would be interesting to know. I think the funds might be used more usefully if you could target them.

LIBRARY RESEARCH AND DEMONSTRATIONS PROJECTS

You plan to spend $240,000 in 1983 to support four new library research projects. Can you give us the cost and a brief description of each project?

Mr. DAVIS. Yes, sir. These are research and demonstration projects. One which I already mentioned is the alternative funding sources for libraries.

Senator PROXMIRE. That's No. 1. What are your second, third, and fourth projects?

Mr. DAVIS. The second is the use of technology in library and information science. The third is the dissemination of information. And the fourth one is a study of the library career training program.

OTHER SUPPORT FOR RESEARCH LIBRARIES

Senator PROXMIRE. In discussing your proposal to terminate funding for research libraries under title II, part C, of the Higher Education Act, you say on page 195 of your justifications, and I quote: "More specialized support may be available from public agencies such as the National Endowment for the Humanities."

How much is the Endowment currently spending on this specialized library support?

Dr. SENESE. We can provide that information for you.

Mr. DAVIS. I don't have it here.

Dr. SENESE. We can provide it for the record.

[The information follows:]

NEH Support for Research Libraries

The National Endowment for the Humanities, through its "special initiative for independent research libraries," is awarding $5,325,000 during fiscal year 1983. These grants must have private sector matching of $3 for each $1 of Federal funds, thus providing a combined total of $21,300,000 for the use of selected research libraries.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. I have some questions on educational research and statistics. Would they be appropriate at this point in your testimony? You're wearing three hats this morning.

Dr. SENESE. That's correct, but I have different witnesses with me for research and statistics.

Senator PROXMIRE. OK.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PUBLIC LIBRARY CONSTRUCTION

Question: On the Emergency Jobs Bill over which the House/Senate Conference Committee will meet, the Senate version includes an amount for Public Library Construction. This is a program that has not been funded in 10 years but which, we believe, will not only generate jobs, but serve an important community need. Does the Department have any recent estimates with regard to the extent of needed repairs and renovations for the Nation's public libraries?

Answer: Our most recent data are derived from a survey sponsored by the American Library Association and the Chiefs of State Library Agencies which identified 2,800 public library construction projects needed in the five-year period 1981-1985. The total cost of these projects was estimated to be $2.3 billion with over $400 million needed in FY 1983 and almost another $400 million needed in FY 1984.

Question: How confident are you that States can assume the entire cost of these needed repairs and renovations?

Answer: We are relatively confident that State and local governments will continue to assume the responsibility for making repairs and renovations, exclusive of Federal aid. Funds for LSCA II, Public Library Construction, were last appropriated in fiscal year 1973. Since that time, many public libraries have managed to complete repairs and renovations for improved public library service without LSCA II support.

LIBRARY SERVICES TO TARGET GROUPS

Question: Each year, the Department prepares a report evaluating its programs. The Department also funds a number of studies and evaluations which are contracted out to various think tanks. In your "Annual Evaluation of Programs, 1982," reference is made to a study done on all State library agencies, with this conclusion: "It is evident from the data gathered in this project that Library Services and Construction Act projects directed toward special clientele have been successful, to some extent. More projects are successful than unsuccessful." It goes on to say: "In many States, it was evident that were Federal funds not available, there would be no projects whatsoever for special clientele." Did you consult the Department's "Annual Evaluation of Programs, 1982" at any point during the formulation of the FY 1984 budget?

Answer: We do not dispute that projects supported under the program have been successful, particularly in extending access to special populations. However, our budget request reflects the continued need to focus on priorities and reduce unnecessary Federal Government spending.

Question: Are you at all concerned over another of the report's conclusions that States are likely "to give service to all its citizens on an equal basis" thereby neglecting the needs of special clientele?

Answer: It is our hope that State and local governments would continue many of the worthwhile ongoing programs serving special clientele. After all, the Federal efforts were only to help initiate such services for which the States have the responsibility.

Question: In 1981, a report was prepared for the Department of Education by Applied Management Sciences evaluating the library programs and assessing the ability of the States to continue projects at their current level of activity without Federal funds. Are you familiar with that report and, if so, can you summarize its conclusions on the ability of States to continue these programs without Federal funds?

Answer: In assessing the effect of terminating Federal funds for the program, State agency personnel were asked to rate the likelihood of a variety of effects. The study reported that State agency personnel felt there would be little likelihood that States would be able or willing to continue projects supported by LSCA funds. It also indicated that States would reduce or eliminate projects for the limited English-speaking. Finally, it assumed that State priorities for public libraries would tend to replace existing Federal priorities aimed at specific populations, such as handicapped, elderly, etc.

We believe, however, that the States have increased capability to fund such projects if they so desire. In 1956 when Federal aid to public libraries was initiated, only 23 States had State aid programs to assist public libraries to extend and improve services. After over 25 years of LSCA aid, 46 States have legislated State aid programs for public library services. We hope that this Federal stimulus, which is only 5 percent of the total expenditures for public libraries in the country today, has been effective and that many of the programs initiated with Federal funds will continue.

INTERLIBRARY COOPERATION

Question: Last year, we appropriated $11.5 million for Title III of the Library Services and Construction Act which supports interlibrary cooperation. How have these projects helped libraries reduce costs through the sharing of resources?

Answer: The program funds have helped libraries to reduce costs by encouraging libraries to share resources, instead of each library separately purchasing the same materials; to develop common sources of information, such as holdings lists, that provide a common access to materials throughout a city, State, or region; and to operate rapid communication systems, sharing information and resources for which an individual library's costs are considerably reduced.

Question: Do you disagree with the American Library Association's assertion that the absence of Federal support for the Interlibrary Cooperation program would effectively eliminate cooperative library programs?

Answer: We would disagree with their assertion on the premise that the cost-saving features of interlibrary cooperation will prompt participating libraries to continue most of the operating projects. The Federal investment over nearly two decades has been very effective in accomplishing its mission of firmly establishing a sizeable number of interlibrary networks and operating projects which are now models of regional, State, and local cooperation.

COLLEGE LIBRARY RESOURCES

Question: The College Library Resources program provides a small award to most of the postsecondary institutions in the Nation for the acqusition of library materials and for networking activities. This Committee shares the Administrations's concern over the lack of any needs-based standards for making such awards. We understand, too, that for the last few years, about 10 percent of the college libraries applying for College Library Resources grants have been unable to meet the program's maintenance-of-effort requirement. If Congress changed this program so that it was targeted to those institutions who most needed assistance to maintain their programs and accreditation, would the Administration reconsider its proposal to eliminate funding?

Answer: The Administration probably would not amend its FY 1984 budget but would consider future funding.

LIBRARY TRAINING AND DEMONSTRATIONS

Question: Under the Library Training and Demonstrations program, grants and contracts are awarded for the training of persons in librarianship or for research related to the improvement of library science. The total appropriated in FY 1983 was $880,000. This, of course, is another one of the library programs you would eliminate. Within the last five years, what percent of the fellowships awarded were granted to ethnic or racial minorities?

Answer: The following table shows the total and percentage of fellowships awarded to racial/ethnic minorities, including Blacks, Hispanics, Native Americans, Oriental, and other non-Caucasian persons:

Year	Total Fellowships	Racial/Ethnic Participants	Percentage
1982	74	47	63%
1981	79	52	66%
1980	101	82	81%
1979	162	105	65%
1978	188	123	65%

Question: What proportion of qualified applicants for training and demonstration grants authorized by this program actually received awards last year?

Answer: Of the 48 qualified institutions applying under the Library Career Training program, 33 were funded in FY 1982. A request for proposals under the Library Research and Demonstrations program elicited 14 responses for the one contract which was awarded.

Question: To what extent have funds under this program actually helped improve library services?

Answer: We cannot say to what extent services have been improved under this program, but some relevant facts may be cited. Since 1966, some 1,034 fellowships for doctoral study have been provided. While there are no exact data on the total number of fellowship recipients teaching in graduate library and information science programs, deans and/or professors at such schools as the University of Texas, University of Michigan, Hampton Institute, Texas Woman's University, Simmons College, Atlanta University, University of Tennessee, and University of Pittsburgh earned doctorates with financial assistance from this program. Recipients of these grants have also improved their skills and/or become professionals for service in public libraries, school library media centers, college and university libraries and special libraries.

Some of the Federally-supported training was completed in projects emphasizing the improvement of methods for providing library and information services to minorities and disadvantaged persons, thereby indirectly providing improved services to these special clientele.

INCREASE IN LIBRARY COSTS

Question: Does the Department have any recent information regarding the increasing costs of books and other materials, such as journals and periodicals, which are standard requirements for libraries?

Answer: The average costs of periodicals and hardcover books, found in the Library Journal, a publication of the R.R. Bowker Co., are as follows:

	1977	1978	1979	1980	1981	1982
Periodicals	$24.59	$27.58	$30.37	$34.54	$39.13	$44.80
Hardcover Books	19.22	19.30	23.96	24.64	25.48	30.59

Question: To what extent have expenses for equipment increased as a result of the introduction of microcomputers and videodiscs needed by libraries in this "information age"?

Answer: It is generally recognized that a technological revolution is now in progress in the way public and private research libraries provide information to users. While it is too soon to give hard quantitative data on the question of microcomputers and videodiscs it is evident, based on random observations and informal reports, that expenditures for equipment and the remodeling necessary to accomodate the new technologies already in use in libraries have dramatically increased within the last few years.

To illustrate this point, the cost of the services provided by the major information networks such as OCLC (Online Computer Library Center) are in the thousands of dollars. Computer video terminals cost $2,500 to $4,000 each. The transition from the traditional card catalog to an on-line computer catalog requires the operation of the two systems simultaneously until there can be a complete transition. Whereas costs for equipment and services are high, the number of persons served and the amount of information available to the public has also dramatically increased.

QUESTION SUBMITTED BY SENATOR WILLIAM PROXMIRE

LIBRARY TRAINING AND DEMONSTRATION

Senator Proxmire: In making the case for the termination of your $880,000 Library Training and Demonstration program you say in your justifications that "recent reports from the Bureau of Labor Statistics indicate there is now an adequate supply of professional librarians to maintain the quality of basic library services." Can you tell the Committee the number of professional librarians per 100,000 persons employed in the United States today as compared to five years ago and ten years ago?

Answer: The number of professional librarians employed in the United States is shown in the table below:

Year	Population	Number of librarians per 100,000 population
1982	233,000,000	56.0
1980	227,658,000	54.0
1978	222,585,000	54.5
1976	218,035,000	51.5
1974	213,854,000	51.2
1972	209,896,000	48.9

EDUCATIONAL RESEARCH AND STATISTICS

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY

ACCOMPANIED BY:

DR. MANUEL J. JUSTIZ, DIRECTOR, NATIONAL INSTITUTE OF EDUCATION

MARIE ELDRIDGE, ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS

SALLY CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING AND EVALUATION

PREPARED STATEMENT

Senator HATFIELD. Now, let's turn to the discussion of educational research and statistics.

All right. Dr. Senese.

Dr. SENESE. Mr. Chairman, with me this morning on my left is Sally Christensen, Director of Budget Service, Office of Planning and Evaluation. On my right is Dr. Manuel Justiz, Director of the National Institute of Education. And on my far right is Marie Eldridge, Administrator for the National Center for Education Statistics.

Senator HATFIELD. Welcome.

Dr. SENESE. With your permission, I would like to highlight our research and statistics program.

[The statement follows:]

STATEMENT OF DONALD J. SENESE

I welcome this opportunity to provide the committee with an overview of the budget request for research and statistics. Our request for fiscal year 1984 involves a total budget of $56,978,000, a reduction of $1 million from the revised 1983 level, and about $7 million less than the current appropriation level. We are also requesting a rescission of $6,225,000 for research in 1983.

The total budget for these programs represents less than 0.5 percent of the Department's budget; a very small account in the total departmental budget request of $13.2 billion for 1984. However, support for research and collection of statistics represents a vital Federal responsibility in education and makes a significant contribution to the education enterprise as a whole.

At the request level, we will continue support for research and development activities to improve the quality of education, and data collection required to report on the condition of education. We are placing special emphasis on critical issues such as the utilization of technological innovations in the classroom, achievement in math and science, teacher supply and demand, and State and local access to research results and information.

Resources are limited at all levels of government and the costs and benefits of educational programs need to be examined rigorously. We expect our plans and priorities for research and statistics will be helpful to those public and private officials who have the authority to change and improve school programs.

Let me now briefly present some highlights from each program.

FISCAL YEAR 1984 BUDGET HIGHLIGHTS

For research, $48,231,000 is requested; a $1,158,000 decrease from the fiscal year 1983 revised request of $49,389,000. This budget will provide the opportunity to build primarily upon past work, which put a priority on excellence in education, emphasizing research on basic skills acquisition, and effective schools. These priorities are consonant with NIE's goals to seek to improve education through research, development, and dissemination activities.

Approximately 96 percent of the fiscal year 1984 request will be used for continuation costs of multiyear awards. These include support for: labs and centers, including any new laboratories or centers established to serve the Midwest, the Northeast, and Southeast; other institutional relationships including the Educational Resources Information Center (ERIC) system; Center for the Study of Reading; Institute for Research on Teaching; National Assessment of Educational Progress; and National Center for Bilingual Research; and, other continuation costs, including grants for State dissemination capacity building; regional consortia; unsolicited proposals in the area of teacher effectiveness; contracts for the national education practice file, for research in the areas of effective schools, effective teachers, exemplary math and science programs, technology in the schools, and for improving dissemination of the results of knowledge gained from educational R&D.

The fiscal year 1984 budget will also provide limited support for unsolicited proposals and new activities which focus on the critical educational issues of improving the quality of education and improving the utilization of technological innovations in the classroom.

The fiscal year 1984 budget request for statistics is $8,747,000, an increase of $158,000 over the 1983 level. These funds will maintain data bases on public and private educational institutions at all levels. These data bases form the essential elements required for the Center's most widely used publications: "The Condition of Education," "The Digest of Education Statistics," and, "Projections of Education Statistics." The budget will also continue support for: Analysis of the second follow-up survey of the high school and beyond study to provide policymakers with information on the transition of students from high school to the work environment; dissemination of important demographic data for each of the Nation's 16,000 school districts; the fast response survey system, which is used to address current policy issues and disseminate results quickly; State assistance through nationwide information networks and personnel exchanges in elementary/secondary and postsecondary education; and reports describing the characteristics of recent college graduates, the price indicators for higher education and analysis of the offerings and enrollments in high school courses.

FISCAL YEAR 1983 RESCISSION

A rescission of $6,225,000 is requested for research in fiscal year 1983. This action is taken as part of the administration's effort to reduce Government spending. However, even with this reduction we believe that sufficient funds will be available to carry out congressional intent, and to address important departmental priorities.

The revised request is adequate to cover continuation costs of multiyear awards made in previous years and includes funds provided by the Congress for the establishment of the new laboratories and centers.

CONCLUSION

Secretary Bell has stated and frequently reaffirmed his commitment to excellence in education. He has also expressed his desire to limit the Federal role in education as it has evolved and expanded in recent years.

With this in mind, I believe we have put together a budget which is both responsive to some critical education problems and to the continued need for fiscal restraint.

My colleagues and I will we happy to answer any questions you may have.

BUDGET REQUEST

Dr. SENESE. I appreciate this opportunity to be here to discuss the budget request for research and statistics. The 1984 budget is $56,978,000, or less than 0.5 percent of the Department's $13.2 billion budget. While the funds requested are relatively small, the information these programs generate represents an important Federal responsibility. A revised 1983 request of $57,978,000, or a reduction of $6,225,000 for research activities, is included in our request.

The revised level adequately covers continuation costs of multiyear awards from previous years, and also provides funds for the establishment of new laboratories and centers for research and development. At the 1984 level, we will continue support for research and development activities to improve the quality of education and data collection to report on the condition of education. We are placing a special emphasis on critical issues such as the use of technological innovations in the classroom, achievement in math and science, teacher supply and demand, and State and local access to information.

We recognize that resources are limited at the State and local level, and the costs and benefits of educational programs need to be examined rigorously. We expect that our budget proposals for research and statistics will be helpful to both public and private officials who have the authority to change and improve school programs.

At this time, I would like to provide some highlights from each program.

BUDGET HIGHLIGHTS

We have allocated $48,231,000 for research, a decrease of about $1 million from the revised level, and about $7 million less than the current appropriation level. This budget builds primarily upon past work, which places a high priority on excellence in education, emphasizing research and basic skills acquisition on effective schools.

About 96 percent of the research request will be used for continuation costs of multiyear awards. These include support for: labs and centers, including new laboratories or centers established to serve the Midwest, Northeast, and Southeast; other institutional relationships including the Educational Resources Information Center, or ERIC, system, the Center for Study of Reading, Institute for Research on Teaching, National Assessment of Educational Progress, and National Center for Bilingual Research; other continuation costs, including research projects in the area of effective schools, effective teachers, exemplary math and science programs and technology in the schools, and projects to disseminate research results.

Limited support will be available for unsolicited proposals and new activities focusing on improving the quality of education and the utilization of technological innovations in the schools.

For statistics, $8,747,000 is requested, an increase of $158,000 over the 1983 level. These funds will maintain data bases on public and private educational institutions at all levels. These data bases are necessary for the Center's most widely used publications: "The Condition of Education," "The Digest of Education Statistics," and "Projections of Education Statistics."

The budget will also continue support for: analysis of the second follow-up survey of the high school and beyond study; dissemination of significant demographic data for the Nation's 16,000 school districts; the fast response survey system to address current policy issues, State assistance information networks and personnel exchanges; and special policy-relevant reports.

In conclusion, I believe we have developed a budget which is responsive to critical national education problems, while recognizing the continued need for fiscal restraint.

At this time, I would like to ask Dr. Justiz, the new Director of the National Institute for Education, if he has any comments that he would like to offer from his program.

Dr. JUSTIZ. Thank you, Dr. Senese.

NIE BUDGET

Good morning, Mr. Chairman, Senator Proxmire. I am happy to appear before you today to present the fiscal year 1984 budget request of $48.2 million for the National Institute of Education. Our budget represents a $1.2 million reduction from the fiscal year 1983 revised budget request.

Senator, when I came to Washington a little over 2 months ago, I came committed to play a part in this administration and this Government in enhancing the most appropriate role the Federal Government can play in education, and I believe, Senator, that that role is research.

Our education system serves a larger and more diversified student population than any other country in the world. To do a task of such magnitude and to do it well places great demands on our resources and on our methods. To meet these demands, we need knowledge, and that knowledge can only come from well-conceived, well-designed, well-conducted research.

The National Institute of Education is designed to respond to the need for good educational research and in doing so to promote excellence in our educational system, to maintain our world technological leadership, to maintain a high level of national productivity by learning how to sustain a highly educated work force, and to help create effective schools by learning ways to communicate and teach basic skills in an effective manner.

Mr. Chairman, the National Institute of Education is today prepared to reassert itself and to fulfill the expectations of our President, this Congress, and teachers and administrators across this Nation. It is also prepared and eager to provide our country's students and their parents the kind of support that can only come from a research program that represents the highest standards in professional integrity and behavior.

Mr. Chairman, at the levels of funding that we are requesting today, the Institute can and will fulfill those expectations, provide that support, and I believe make a substantial contribution to the improvement of education in this country.

Thank you very much, Mr. Chairman. I would be happy to respond to any questions.

Senator HATFIELD. Dr. Justiz, is this your first statement to a congressional committee since arriving 2 months ago?

Dr. JUSTIZ. Senator, I was up here before the House 1½ weeks ago, so this is my second statement.

Senator HATFIELD. Well, you bring very distinguished credentials to your job. It's a very excellent statement you make.

Since you, I believe, are the fifth Director in a 3-year period of time, I am very hopeful that you will have some longevity here.

Dr. JUSTIZ. So am I, Senator. [Laughter.]

Senator HATFIELD. What assurances can you give the committee this morning that stability will be brought to the Institute that you now head so it can get along with its mandated purposes and be free of ideological in-fighting?

Dr. JUSTIZ. Senator, I believe that the Institute is on its way to making what I believe will be very significant contributions in educational research. We are now coming close to 11 years of existence, and are beginning to see a sense of stability and clear direction as a result of the Secretary's priorities and initiatives. We are now finding that a substantial body of knowledge has been accrued over the years in a number of areas, for instance, effective teaching and effective schools, and we are also beginning to see improvement in the quality of education.

We are pleased, for instance, with the recent report of the National Assessment of Education Progress, which indicates that among high achieving and low achieving 9-year-olds there has been a significant increase in their performance in math and reading, and for the low achieving 9-year-old, that increase in performance, particularly in the area of reading, has shown a substantial gain through 13 years of age.

So there are some success stories in spite of the challenges that we face in American education today. I believe, Senator, that the Institute is now in a position to contribute significantly and provide the kind of leadership that the Federal Government can provide in educational research by addressing critical issues and disseminating information on a timely basis.

Senator HATFIELD. I fully agree with you, and I think there is no more noble man in the administration than Secretary Bell. But I think we all are fully aware that he has all flanks exposed. He has been used as a dumping ground in that Department for every kind of ideological doctrinaire person who thought that the President owed his election to them. If the Department could be freed up from that kind of ideological in-fighting, it seems to me, the Secretary and people like yourself can really get on with the business. I really think he is a noble character to put up with that. That is my observation. It is certainly gratuitious.

I hope that you can be freed from that kind of continuing battleground. I have fairly good comprehension of what's happening in the Department and why, and maybe we can get out of this rut, and get on with the business of education.

LAB AND CENTER FUNDING

Now let me ask you, in the continuing resolution, we instructed the Department to fund the laboratories and centers at about a level of $30 million within your appropriated funds. We also indicated in the continuing resolution that we wanted to see three new institutions established, one in New England, one in the Central States and one in the Southeast. Now the fiscal year is about half over.

Could you give us an appraisal of what has happened in fulfilling this resolution?

Dr. JUSTIZ. I would be happy to, Senator. We will announce the direction that the competition will take by the end of this month. We intend to comply with the intent of Congress and will designate through a competitive process by September 30, a new Midwest central laboratory, a laboratory or center in the Northeast, and a laboratory or center or support for the council in the Southeast.

Senator HATFIELD. Very good. That's all happened under your 2 months; is that right?

Dr. JUSTIZ. It has been a very intense and exciting 2 months, Senator. We have had a lot of activity. [Laughter.]

Senator HATFIELD. Well, you look very healthy now. We will see what happens——

[Laughter.]

Senator HATFIELD [continuing]. In another 3 or 4 months.

LAB AND CENTER ASSESSMENTS

Recently, the Department's Office of Management conducted "service delivery assessments," I believe it is called, of the labs and centers. Last year, at our hearings, one of your predecessors indicated that the final SDA report would be shared with this committee.

Can you give me any idea of the timeframe when we can expect to receive this report? What is the status of the SDA's?

Dr. JUSTIZ. We will be happy to send it to you. The report has been completed recently. In fact, Secretary Bell addressed the CEDaR group last week and indicated the report was near completion. He said he would be happy to share it with the CEDaR members. My understanding is that the report should be released by the Department very soon.

It is divided into two parts, Senator, one part concerning laboratories, the other part concerning centers.

Senator HATFIELD. All right. I will be happy to wait for it.

I have other questions I'll submit to you.

BUDGET JUSTIFICATION

Senator PROXMIRE. Dr. Senese, I've served on the Appropriations Committee for about 20 years, and your budget justification material is just about the worst I've ever seen. It contains 10 pages of narrative discussing a $57 million budget request. The only 1984 figures we are given are the total levels for the National Institute of Education and the National Center for Education Statistics. You give us no idea of how much you intend to spend on each of the Institute's three major areas, the regional laboratories, the research centers, and your other specialized programs.

How do you expect us to make intelligent budgetary decisions without having that information?

Ms. CHRISTENSEN. Senator Proxmire, most of the money will be used for continuations. We can give you information on virtually all of that money with the exception of $1.9 million intended for new projects in 1984. The $1.9 million will be awarded through a competitive process during the year in which the budget is requested. Traditionally, we have never given project-by-project listings in a budget request.

Senator PROXMIRE. You've had more of a breakdown in the past than you have here, haven't you?

Ms. CHRISTENSEN. No, sir. We said, in essence, that our emphasis would be on such priorities as quality of education, technology in the classroom, and dissemination of research results to practitioners and teachers in the classrooms.

Also, we have worked with the staff of the Appropriations Committee on our format and what is included in the justification, and we have provided additional lists and other information during the course of the year. This is something we do every year. We can provide additional lists or other information as they are available for any or all kinds of projects that you may want.

Senator PROXMIRE. Why isn't that information available to all members of the committee in a public document? It shouldn't just be provided to staff.

Ms. CHRISTENSEN. Our staff will be glad to do that. We can print it; we can do anything you want to provide you with additional information. We do make other materials available, such as press releases——

Senator PROXMIRE. Will you provide that information, though? You say you can. Will you make that information available to the public, so that all members of the committee can have it?

Ms. CHRISTENSEN. Certainly. It's all public information. Absolutely. We will be glad to make it available. We can make 1982 total listings of projects available. For 1983, we can make listings up to probably the $700,000 in new projects. But we will have to broadly categorize and estimate the new awards, until those new awards are completed. We can't say specifically what new projects will be funded at this point.

For 1984, we can and have said in our budget what areas would be supported, such as labs and centers, ERIC, NAEP and other continuations. Certain other research centers were specified, also.

We will be glad to provide additional data—any kind of detail that you want. We were not trying to hide anything.

Senator HATFIELD. Let's see what we can get now.

Ms. CHRISTENSEN. As I say, we can work with the committee for next year. If you think this is not adequate, we will be glad to work with the committee on that.

[The information follows:]

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
I. Educational Labs and Centers Amounts on this page summarize the lab and center segment of NIE's budget. Detailed information by individual lab or center follows this summary page. Congressional Appropriation committee report language called for $30 million to be set aside for labs and centers including a new central Midwestern regional laboratory, a New England regional laboratory or center, and either a new laboratory or center in the Southwest, or an equivalent amount to support the Southeast Educational Research Council.	(28,168)	(30,000)	(30,000)	Provides major support for a group of educational laboratories and research and development centers located throughout the country. The original university-based research and development centers were created under provisions of the Cooperative Research Act of 1963. The regional educational laboratories were funded under a provision of the Elementary and Secondary Act of 1965. These institutions maintain multidisciplinary staffs and specialized facilities for conducting research, development, evaluation, and training. Many of the institutions have a substantive mission focus (e.g. reading, school organization, and vocational education). Others have strong regional ties. Their expertise spans early elementary through adult education and basic research through product development and dissemination. All have experience performing both small-scale projects and large multi-year programs.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Appalachia Educational Laboratory, Inc. (AEL) Charleston, WV	1,503	1,503	1,503	AEL's mission is to improve education and educational opportunity for those who live in the laboratory's primarily nonurban region.
CEMREL, Inc. St. Louis, MO	2,394	454	--	CEMREL's primary mission is to improve the effectiveness of instruction in its region's schools.
Center for Education Policy and Management University of Oregon Eugene, OR	810	818	818	CEPM's mission is the conduct, synthesis, and dissemination of research directed toward improving the performance of elementary and secondary schools through the use of policy and management tools.
Research and Development Center for Teacher Education (RDCTE) University of Texas Austin, TX	1,485	1,485	1,485	RDCTE's mission is to conduct research and related activities in close collaboration with practitioners, policymakers, and researchers at all levels in the field of teacher education.
Southwest Educational Development Laboratory (SEDL) Austin, TX	1,485	1,485	1,485	SEDL's mission is to promote quality learning in its region by conducting research, developing educational products, and assisting other educational institutions.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Center for Social Organization of Schools (CSOS) John Hopkins University Baltimore, MD	1,213	1,213	1,213	CSOS's mission is to produce useful knowledge on how changes in the structure and organization of schools influence student learning, attitudes, and success in adult roles.
Center for the Study of Evaluation (CSE) University of California Los Angeles, CA	878	878	878	CSE's mission focuses on education testing and evaluation. Using diverse social science frameworks, CSE conducts research on the use of evaluation and testing information in educational settings from the preschool through the university.
Far West Laboratory for Educational Research and Development (FWL) San Francisco, CA	2,475	2,475	2,475	FWL's mission is to contribute to improvement in the quality of learning experiences that support the values and functions of a humanistic society.
Institute for Research on Educational Finance and Governance (IFG) Stanford Univeristy Stanford, CA	1,170	1,170	1,170	IFG's mission focuses on the origins, implementation, and consequences of different finance and governance arrangements in the educational sector.
Research for Better Schools, Inc. (RBS) Philadelphia, PA	2,346	2,346	2,346	RBS's mission is to apply the results of educational research and development in improving elementary and secondary schools in its region.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Learning Research and Development Center (LRDC) University of Pittsburgh Pittsburgh, PA	2,364	2,365	2,365	LRDC's research addresses two topics: the processes of learning and the processes of schooling. Pervading both lines of work is a common theme, a concern with understanding how knowledge and skill are acquired in various school content areas.
Mid-Continent Regional Educational Laboratory (McREL) Kansas City, MO	790	790	790	McREL's mission is to improve educational practice in its region, with particular attention to those who traditionally have received a poorer quality of education than the general population.
National Center for Higher Education Management Systems (NCHEMS) Boulder, CO	1,465	1,465	1,465	NCHEMS's mission is to improve planning and management in colleges, universities, and state agencies of higher education through research, development, and assistance activities.
National Center for Research in Vocational Education (NCRVE) Ohio State University Columbus, OH	1,048	1,048	1,048	NCRVE is conducting a four-year research program on employability that will describe and analyze the various sectors of society that prepare youth for employment.
Northwest Regional Educational Laboratory (NWREL) Portland, OR	2,977	2,977	2,977	NWREL's mission is to assist education, government, community agencies,business, and labor in improving quality and equality in educational programs and processes.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Southwest Regional Laboratory (SWRL) Los Alamitos, CA	1,758	1,758	1,758	SWRL's mission is to develop fundamental and significant improvements in education and to conduct educational research in order to solve the problems and serve the needs of the public and private schools, colleges, and universities in its region.
Wisconsin Research and Development Center for Individual Schooling (WRDCIS) University of Wisconsin Madison, WI	2,007	2,007	2,007	WRDCIS has redefined its mission to focus on student diversity and the implications of diversity for schooling.
Establishment of a Lab or Center in the central Midwest, New England, and the Southeast		3,762*	4,216	To be awarded in accordance with government-wide competitive bidding procedures.

*Approximately $1.4 million of these funds will be required to support activities transferred from CEMREL to AEL and McRel and $ .7 million will be allocated to high priority projects in the remaining labs and centers.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
II. Teaching and Learning				
National Assessment of Educational Progress (NAEP)	3,920	3,930	3,930	Supports a continuing survey of American students' knowledge, and the analysis of NAEP data.
University of Mid-America	1,935	--	--	Supports the development and operation of a model postsecondary open-learning system which reaches people through television, audio cassettes, and other technical innovations.
Institute for Research on Teaching at Michigan State University	1,353	1,267	1,373	Conducts research on understanding teaching as a cognitive process, thereby improving the quality of teaching and teacher preparation, both in-service and pre-service.
The Center for the Study of Reading at the University of Illinois	1,620	1,420	1,600	Conducts research on reading comprehension focusing on the transition from early reading to the stage where comprehension and retention are involved, and seeks ways to ease student's transition into more intellectually demanding reading tasks of the middle grades.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
National Center for Bilingual Research at the SW Regional Lab	1,089	1,215	1,500	Conducts research on language acquisition, language functioning, and bilingual schooling through both long- and short- term research and dissemination activities.
Bilingual Clearinghouse	900	--	--	Conducts, analyzes, and disseminates information on bilingual education.
NIE/NSF Cooperative Agreement (Math/Micro-technology)	237	--	--	Supports a joint NIE/NSF grants program studying mathematics and science learning processes, using information technology.
International Math Study	255	138	--	This project supports four interrelated activities in studying mathematics curricula: (1) operation of the International Mathematics Committee, (2) the U.S. National Mathematics Committee, (3) data collection and analysis in the U.S., and (4) the U.S. National Coordinating Center.
Social Processes in the Classroom	215	96	--	Investigates the development of interest, self-confidence, and competence in mathematics among adolescent girls who have been identified as having superior mathematical ability.
Teaching and Learning in the Home and Community	168	102	--	Experimental study on effectiveness of family and neighborhood to build initiative, cooperation, and other positive qualities in children.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Cognitive Demands of Computer Learning	--	300	300	A two part inquiry into the use of computers in the classroom investigating (1) cognitive skills needed to learn a computer language and the use of computers, and (2) computer-assisted instruction and how it can be used to promote the learning of cognitive skills.
Exemplary Math	--	126	200	To identify outstanding math programs (grades 5 and above) and conduct reesearch into the factors that cause them to be exemplary.
Cognitive Skills Study (Reading Comprehension)	297	254	--	Examines differences in cognitive skills and strategies of good and poor learners, and effectiveness of the instructional enrichment program in modifying poor learners' skills.
Calculator Information Center at Ohio State University	58	--	--	Collects and disseminates information on hand-held calculator usage in school mathematics to a variety of audiences.
Teaching and Learning Grants (literacy, teaching, testing and math)	653	62	--	Supports research grants on teaching and learning in the areas of literacy, teaching, testing and math.
Teacher Evaluation Processes	100	120	--	Study of exemplary teacher evaluation processes in U.S. Results can be used by other schools to improve evaluation programs.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Teaching Education Study	--	82	--	A project to survey the curricula of teacher colleges in order to compare the curricula with the NIE-sponsored research on effective training, and to undertake with the American Association of Colleges of Teacher Education (AACTE) a plan to integrate some of the findings of effective teaching research into the curricula of teacher colleges.
Classroom Testing	100	200	--	Development of a handbook, materials and microcomputer software directed toward helping teachers improve instructional decisions through testing and assessment.
Shortage of Math/Science Teachers	--	50	50	Support of a conference on issues related to improving the quality of teaching and learning in science and mathematics.
Subtotal	12,900	9,364	8,953	

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
III. Dissemination and Improvement of Practice				
Educational Resources Information Center	4,920	5,390	5,250	Supports a national information system to provide ready access to descriptions of exemplary programs, research and development efforts, and related information that can be used in developing more effective educational programs. Includes support for the 16 clearinghouses and the facility maintenance.
Northeast & Southeast Regional Consortia	717	633	250	Provides regional support for geographic areas unserved by the current Regional Lab configuration. The Northeast provides services to seven states which include Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. The Southeast provides policy analysis research and dissemination services to Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
State Dissemination Capacity Building Grants	1,219	861	529	Provides grants to state education agencies to develop and strengthen the dissemination and use of educational knowledge, including technical assistance provided by SEA staffs to aid local education agencies in the use of the results of educational R&D to improve educational practice

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Regional Services to Urban Districts	120	--	--	Supports two projects which encourage cooperative relationships between SEAs and urban LEAs to improve local school practice.
Urban Superintendents Network	83	130	--	Suports a network of superintendents from the nation's 22 largest urban districts which educate 10% of the students in the country, to provide a forum for discussing problems, solutions, and to share experiences.
Knowledge Utilization and School Improvement Grants	384	165	--	Explores the ways in which elementary and secondary schools go about altering eisting administrative and instructional practices. Studies focus on the role of new ideas and resources such as programs, products, or materials.
Educational Research Library	243	298	238	Supports the federal library for educational research which provides technical resources along with reference and information retrieval services to the DOE, other federal agencies and the general public
Options in Education	63	--	--	Supports the National Public Radio program which provides a forum for educational issues.
Assessment of Dissemination Programs	385	463	139	Identifies successful features of three NIE-sponsored regional and state dissemination programs, as well as ways of strengthening these and other dissemination programs in education.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Assessment of Minorities and Women's Programs	194	--	--	Examines NIE projects which demonstrate ways of increasing the participation of minorities and women in educational R&D.
Practice File	133	452	500	Develops a national information resource base of exemplary practices and techniques on successful teaching.
Other projects	40	--	--	Preparation of planning papers, reports and reviews on issues relating to dissemination efforts.
SUBTOTAL	8,501	8,392	6,906	

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
IV. Educational Policy and Organization				
Educational Finance and Technical Assistance to National Conference of State Legislatures	265	270	--	Provides technical assistance and matching grant awards to a number of state legislatures involved in changing their school finance systems.
Public Policy and the Workforce	115	--	--	Examines current education and training policies and practices, with an emphasis on corporate decision-making and the role of public policy in influencing corporate investment in human resources.
Studies on the Principalship and Junior High Schools	115	--	--	Supports research focusing on the role of the principal and the design of the junior high school for organizing and managing effective schools.
Other projects	132	--	--	Preparation of planning papers on topics such as educational finance, school organization and management, and desegregation issues.

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
Family and Community Studies	57	--	--	Synthesizes and assesses existing research on the influence of media, the family, community institutions, and schools on the educational achievement of children.
Rural Education Studies	103	--	--	Supports eight case studies and a synthesis of existing research on the question of how small rural school districts provide special education services.
Educational Policy and Organization	714	207		Supports research grants on elementary and secondary school organizational processes, postsecondary organization and management, legal and governmental studies, and desegregation in education.
Grants				
—organizational processes	(283)	--	--	
--legal and governmental studies	(240)	(82)	--	
--desegregation grants	(191)	(125)	--	
Subtotal	1,501	477	--	

NATIONAL INSTITUTE OF EDUCATION
FY 1982 to FY 1984 Project Listing
($ in THOUSANDS)

PROJECT TITLE	FY 1982 at $53.4 Million (actual)	FY 1983 at $49.4 Million request	FY 1984 at $48.2 Million request	DESCRIPTION
V. Director's Office and Unsolicited Proposals				
Unsolicited Proposals (U.P.)	1,979	637	139	Provides continuation costs for Unsolicited Proposals in the areas of teaching, reading, writing, declining enrollments, and private education.
Director's Office --Review Costs for U.P. and Labs and Centers	336 (35)	519 (119)	300	Includes support for activities reflected.
--Planned Lapse	(300)	(300)	(300)	Covers indirect overhead adjustments subsequently approved by ED Audits.
Subtotal	2,315	1,156	439	
VI. Planned New Initiatives			1,933	New activities which focus on critical educational issues in the areas of reading, mathematics, science, effective schools, effective teaching, and use of technological innovations in the classroom. Awards to be made in accordance with government-wide competitive bidding procedures.
TOTAL NIE PROGRAM BUDGET	53,385	49,389	48,231	

LAB AND CENTER FUNDING

Senator PROXMIRE. How much do you plan to spend on your regional education laboratories in fiscal year 1984 and how does that compare to your current budget?

Dr. JUSTIZ. Our revised budget request for 1983, Senator, requests 61 percent of our budget or $30 million for the laboratory and center activity. In our fiscal year 1984 budget, $48.2 million——

Senator PROXMIRE. I just want that figure for the labs first, just the labs.

Dr. JUSTIZ. The laboratories for 1983, Senator?

Senator PROXMIRE. 1984.

Dr. JUSTIZ. The 1984 budget request for laboratories is $13.4 million.

Senator PROXMIRE. How does that compare with your 1983 budget for the labs?

Dr. JUSTIZ. The 1983 budget is $14.9 million.

Senator PROXMIRE. How much a cut are your proposing?

Dr. JUSTIZ. It is not really a cut, Senator.

Senator PROXMIRE. It's down from $14.9 million currently to $13.4 million in 1984, a $1.6 million reduction.

Dr. JUSTIZ. I think it might be helpful to give you the breakdown figures.

For 1983, the breakdown of the $30 million is $14.9 million for laboratories, $12.4 million for centers, with a balance of $3.7 million. Of the $3.7 million, $1 million will go for the transfer of service projects from the CEMREL Laboratory, which is in final month closeout activity, to the McRel Laboratory of Kansas City, Mo., and the Appalachia Education Laboratory of West Virginia.

The remaining $2.7 million will be utilized for the fiscal year 1983 competition of the new Central Midwest Laboratory, and for the competition of a new laboratory or center in the Northeast, and a new laboratory or center for the support of the council in the Southeast.

Senator PROXMIRE. You're talking about 1983. How about 1984?

Dr. JUSTIZ. Senator, the breakdown for 1984 is a little different, $13.4 million——

Senator PROXMIRE. I just want to be sure I understand you. It always has seemed to me that $13.4 million was less than $14.9 million. Therefore, your are proposing a reduction. Am I wrong?

Dr. JUSTIZ. It is not a reduction. If I can complete the analysis, in 1984, we again have included $30 million, as Congress has earmarked in fiscal year 1983 for laboratory and center activity. We show a reduction, because the CEMREL project will have been closed out. The breakdown will be $14.4 million for laboratory support, $12.4 million for center support, with a balance of $4.2 million. Of the $4.2 million balance, $3 million will go in support of the new, by then designated, Central Midwest Laboratory, and for a laboratory or center designated in the Northeast and a laboratory or center or in support of the council in the Southeast. The remaining $1.2 million, Senator, will be used for startup and planning activities regarding the fiscal year 1984–85 laboratory and center competition.

Senator PROXMIRE. Their answer is that your budget of $13.4 million does not include funds for all the laboratories you are currently supporting, is that right?

Dr. JUSTIZ. Yes, Senator; the level of funding for the new laboratories or centers will be determined through the competitive process.

Senator PROXMIRE. Will the level of funding be at least as much as it was in the preceding year?

Dr. JUSTIZ. Senator, the average start-up cost for laboratories is approximately $500,000. We're estimating that the start-up costs for the Central Midwest Insitution will be about $900,000. It will be in place for the summer of 1984, at which time additional support will be provided for a 3-year contract.

In response to your question, the $30 million that is earmarked in 1984 will be utilized for lab and center activity. The difficulty in giving a precise cost for the support of labs is because we have not completed the award process for that new laboratory yet. We certainly will know the costs as we get into the competitive process.

NIE PROGRAM BUDGET

Senator PROXMIRE. On page 173 of your justification you state, and I quote: "The budget supports the Institute's goals and initiatives through three programs."

Can you tell us how much you are currently spending on each of these three programs and how much you intend to spend next year?

Dr. JUSTIZ. I can give you the specific level of support in the three programs, Senator, if you would like to have that.

In 1983, the level of support for the teaching and learning division is 55 percent of our budget or $27.1 million, for dissemination and improvement of practice, 33 percent of our budget or $16.5 million, and for educational policy and organization it is 12 percent or $5.8 million.

Senator PROXMIRE. Give us comparable figures for 1984.

Dr. JUSTIZ. For 1984, the breakdown is teaching and learning, 57 percent or $27.2 million; dissemination and improvement of practice, 31 percent or $15.2 million; education policy and organization, 12 percent——

Senator PROXMIRE. How do those 1983 and 1984 figures compare with each other? Are you proposing increases, decreases or about the same level of funding?

Dr. JUSTIZ. The level of support generally remains the same. The percentages are distributed almost equally. There are some minor variations. They reflect our current commitments to ongoing contracts and grants.

SALARIES AND EXPENSES BUDGET

Senator PROXMIRE. I assume the costs of running your educational research and statistics program are paid through your salaries and expenses account under the designation Office of Educational Research and Improvement. Is that correct?

Dr. SENESE. That's correct, Senator.

Senator PROXMIRE. How much are you spending on administration and how much do you plan to spend next year?

Dr. SENESE. We can give you those figures.

Ms. CHRISTENSEN. We can supply that for the record.

You want to know how much out of the salaries and expenses account goes for administration?

Senator PROXMIRE. Yes; can you give us a rough estimate?

Ms. CHRISTENSEN. For the entire Office of Research and Improvement for 1982, actual obligations were $22.4 million or 8 percent of the total for the Department.

Senator PROXMIRE. How much will you spend in 1983 and 1984?

Ms. CHRISTENSEN. For 1983 and 1984, the Secretary is now working on final allocations of personnel for 1983. Most of our administrative costs are for personnel. I would think that the percentage would stay about the same for OERI, but I can't say for sure until he makes that final decision. The Secretary has just finished a human resources assessment, which takes into account various workloads and competing demands among all Department priorities.

In 1984, it would even be more uncertain——

Senator PROXMIRE. This is a hearing on your 1984 budget, as you know. We're now halfway through fiscal year 1983. Fiscal year 1982, of course, is history. We're concerned with your proposals for 1984. This is our final hearing, I guess, for the Education Department; is that right?

Ms. CHRISTENSEN. Yes.

Senator PROXMIRE. We should have information on your salaries and expenses. The other departments and agencies all have given us their 1984 projections in full.

Ms. CHRISTENSEN. One of the challenges we have is that during the time from when this administration came in, until the end of fiscal year 1984, we will have reduced our full-time employment by 29 percent. We are going to decrease 281 FTE between 1983 and 1984. In reaching those numbers, and in achieving those kinds of goals, the Secretary needs all the flexibility he can possibly get to allocate resources where they are needed.

Senator PROXMIRE. How do you know where to cut, if you don't have a game plan of some kind, some kind of an indication of where you are going?

Ms. CHRISTENSEN. We do have a plan that shows basically what we are proposing. For instance, in the 281 decrease, there was a small increase for the Inspector General and OCR is kept at the same level. At least 100 of this decrease was in loan collectors.

The rest is spread around the Department.

What I'm saying right now is that for 1984 the Secretary needs all the flexibility he can possibly keep in order to allocate resources where they're needed and maintain this goal.

Senator PROXMIRE. You have 13 offices, is that right?

Ms. CHRISTENSEN. Roughly.

Senator PROXMIRE. Don't you have those details? Do you have 13 offices, 14 offices? How many do you have?

Ms. CHRISTENSEN. It depends on how you count them. About 17 if you count all of the suboffices.

Senator PROXMIRE. I would think you could tell us precisely how much is being proposed for each office. Of course that might be changed later, but it would be very helpful to us if you could tell us exactly how much you're asking for each of these offices. You see, we don't have that information.

Ms. CHRISTENSEN. I would be glad to supply that for the record, realizing that it's a very rough estimate right now.

[The information follows:]

FISCAL YEAR 1983-84 SALARIES AND EXPENSES BUDGET

[Dollars in thousands]

Budget entity	Fiscal year 1983 estimate		Fiscal year 1984 estimate	
	Dollars	FTE	Dollars	FTE
Program administration:				
Office of the Secretary[1]	$4,020	95	$4,229	100
Secretary's regional representatives	7,860	174	7,727	170
Office of Intergovernmental/Interagency Affairs	2,448	51	2,364	51
Advisory councils	1,750	25	1,750	22
Office of the General Counsel	4,293	90	4,397	89
Office of Management	57,560	772	60,680	743
Office of Planning, Budget, and Evaluation	5,042	117	5,157	119
Program and management evaluation	2,350		3,350	
Office of Legislation and Public Affairs	2,853	69	2,950	71
Office of Elementary and Secondary Education	12,219	287	11,579	231
Office of Postsecondary Education	74,213	978	87,396	1,258
Student loan insurance fund (Reimbursable)	10,500	390		
Office of Educational Research and Improvement	20,979	505	20,726	475
Office of Vocational and Adult Education	5,598	144	5,397	122
Office of Special Education and Rehabilitative Services	18,847	473	18,735	460
Office of Bilingual Education and Minority Languages Affairs	1,992	53	1,945	48
Subtotal, program administration	232,524	4,223	238,382	3,959
Office for Civil Rights	44,868	970	42,058	970
Office of Inspector General	12,840	290	14,395	304
Subtotal, salaries and expenses	290,232	5,483	294,835	5,233
Indian education program administration	2,589	57	1,243	26
Total, Department of Education	292,821	[2] 5,540	296,078	5,259

[1] Includes Under Secretary, Executive Secretariat, Office of Private Education, the regional liaison staff, and Office of Overseas Dependent Schools.

[2] This current estimate of FTE's differs slightly in distribution among budget activities from that shown in the justification materials previously furnished. The Department total is the same.

ADMINISTRATIVE EXPENSES

Senator **PROXMIRE.** How much are you presently spending on administration and how much do you plan to spend next year?

Ms. **CHRISTENSEN.** Our total for administration in 1982 was $272.2 million.

We are going to——

Senator **PROXMIRE.** I'm asking for the administrative costs of research and statistics functions. That's what we're discussing now. I want to know how much you are presently spending for research and statistics—that is, in 1983—and what you expect to spend in 1984.

Ms. **CHRISTENSEN.** I have to get the tentative plan. I don't have the tentative plan for 1983 and 1984.

As I say, the Secretary is working on it. We will supply it for the record.

[The information follows:]

ADMINISTRATIVE EXPENSES

In fiscal year 1983 administrative expenses for educational research and statistics are estimated at $16,100,700. These expenses are paid from the departmental management (or S&E) account. The corresponding estimate for fiscal year 1984 is $15,897,000.

BUDGETING FOR SALARIES AND EXPENSES

Senator **PROXMIRE.** We hope to be able to move rapidly this year. I don't want to be unpleasant or to be critical, but we do have to have this information.

It is astonishing to me, on the basis of the experience I've had on the Appropriations Committee, that when you appear before the committee you can't tell us what you propose to spend.

Ms. **CHRISTENSEN.** These are the two accounts where there is a lot of discretion and budgeting for salaries and expenses is complex because there have been reductions in various areas within these accounts. They are not the same as our other accounts.

If you look at our other accounts, you will see, item by item, that we give all kinds of detail and all kinds of workload.

It just happens to be these two accounts——

Senator **PROXMIRE.** What happens if we don't allow you that kind of discretion in the future? Because we have to make a decision. We have to provide a certain amount.

We can't simply say to the full committee or say to the Senate, "Give them a blank check."

We have to be specific. And this is the time when we're supposed to get from you precise and specific projections of the dollars you expect to spend.

Ms. **CHRISTENSEN.** I think if you look at our request overall and see, for instance, that our big increase in 1984 is for student loan collectors in dollar amounts——

Senator **PROXMIRE.** Let me ask you this. Did I ask you how much you're presently spending on administration?

I just asked you that.

Ms. CHRISTENSEN. Yes.

Senator PROXMIRE. You don't have that information.

How do your administrative costs break down between the National Institute of Education and the National Center for Educational Statistics?

Ms. CHRISTENSEN. I will have to supply that.

[The information follows:]

ADMINISTRATIVE EXPENSES FOR NIE AND NCES

The following are estimates of administrative (S&E) expenses for NIE and NCES in fiscal years 1983 and 1984:

	Fiscal year 1983	Fiscal year 1984
NIE	$11,036,300	$10,634,700
NCES	5,064,400	5,262,200
Total, educational research and statistics	16,100,700	15,897,000

NOTE: NIE figures include costs associated with the Commission on Excellence and the school finance study.

Estimated personnel ceilings for NIE and NCES are as follows:

	Fiscal year 1983	Fiscal year 1984
NIE	267	248
NCES	128	133
Total, educational research and statistics	395	381

PROPOSED STAFFING LEVELS

Senator PROXMIRE. What are your proposed staffing levels for the National Institute of Education and the National Center for Educational Statistics in 1984 and how does that compare with your current staffing levels?

Ms. CHRISTENSEN. I don't have that——

Dr. JUSTIZ. I can give it to you, Senator.

The staffing level for the Institute is 252 full-time staff, of which 155 are program staff.

Senator PROXMIRE. How does that compare with what you expect to have in 1984?

Dr. JUSTIZ. That is being determined now.

I believe it would be in the vicinity of 248, Senator.

Ms. CHRISTENSEN. This is the flexibility that I am talking about, Senator. The Secretary is reviewing those figures now.

Dr. SENESE. No final decision has been made on that.

Senator PROXMIRE. It's very difficult for us to mark this bill up if we don't know what you want.

Very often, we will disagree and give you less or give you more. But when we don't know what the request is, it's a moving target.

Ms. CHRISTENSEN. Basically, we're saying we're going to save 281 jobs. There are offsetting increases and decreases.

We are basically at level funding.

When you take into account the student loan collectors that we're moving over from our student loan insurance fund that were previously funded there, it's not the large increase in salaries and expenses that it looks like.

Senator PROXMIRE. Are you cutting jobs without knowing where you're going to make the cuts?

Ms. CHRISTENSEN. That is right.

We are estimating that the normal 6 percent attrition will achieve the desired staff reduction.

Senator PROXMIRE. You're going to cut jobs wherever the people drop out? That's where you'll make your cuts?

Ms. CHRISTENSEN. No; we are not doing that.

The Secretary is looking at the needs within the Department and making determinations on where the resources are needed.

Senator PROXMIRE. I could understand it if your staffing levels depended on whether or not people make up their mind to leave.

If, as you say, you're basing those levels on the Secretary looking at the needs within the Department and making a decision, I don't see why he couldn't have made his decision by now—or a week ago.

Ms. CHRISTENSEN. Well, he's in the process of doing that now. The Secretary has the report of the human resources task force, and he is reviewing that and making final decisions.

Senator PROXMIRE. I would think that when the budget was made up you would negotiate with the Office of Management and Budget, come to a decision on a 1984 budget, forward that request to the Congress, and present that budget to us today. It should be a full and final budget as far as your expectations or your projections are concerned.

You're not doing that.

Ms. CHRISTENSEN. We did negotiate a staffing level agreement with OMB.

Senator PROXMIRE. Why don't we have the details of that agreement here?

Ms. CHRISTENSEN. That was in total, not office by office.

Senator PROXMIRE. How can you settle on a total without knowing the ingredients of the total amount?

Ms. CHRISTENSEN. The Department was given a ceiling by OMB. We negotiated a reduction of 281, which represents our normal attrition.

To achieve that reduction, we need the flexibility to reallocate our resources.

Dr. SENESE. We reallocated within that ceiling.

Ms. ELDRIDGE. Senator Proxmire, the figures that Dr. Justiz gave you refer to the research area.

If you would like the statistics figures, I can give those to you.

Senator PROXMIRE. We'd like to have that.

Ms. ELDRIDGE. The current on-board total is 120 in the National Center for Education Statistics.

Senator PROXMIRE. Speak a little louder.

Ms. ELDRIDGE. The current on-board count is 120 personnel for 1983. I don't believe that the 1984 ceiling figure has been totally firmed up, as evidenced by the other witnesses' statements.

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Senator PROXMIRE. The Institute receives policy guidance from the National Council on Educational Research.

How is the Council funded?

Ms. CHRISTENSEN. The Council is funded out of our salaries and expenses account, along with the staff of the Council.

Senator PROXMIRE. What is the Council's budget for fiscal years 1983 and 1984?

Ms. CHRISTENSEN. For 1983, the Council budget is approximately $200,000. That compares to about $125,000 to $145,000 per year over the past 5 years.

Senator PROXMIRE. So, it's up very sharply?

Ms. CHRISTENSEN. Somewhat.

Senator PROXMIRE. From $125,000 to $200,000?

Ms. CHRISTENSEN. From $142,000 to $200,000.

Senator PROXMIRE. What would the Council's budget be for 1984?

Dr. JUSTIZ. That has not been determined at this point, Senator.

The Council, as you know, Senator, is composed of newly appointed members. They were sworn in last December. They are just getting started with their congressionally mandated responsibilities.

As has been indicated, the current budget request is $200,000 for the remainder of fiscal year 1983. The 1984 budget has not been discussed.

Senator PROXMIRE. It is pretty difficult for us to make decisions if we don't know what you want.

As I say, this is the 1984 budget we are working on now.

We're not working on the 1983 budget. We're halfway through fiscal year 1983.

You can't tell us how much you're planning to spend on the Council next year?

What's the Council's staffing level, the number of people?

Dr. JUSTIZ. Currently, the Council has a staff of 4 in addition to the 15 Council member positions.

Senator PROXMIRE. What staffing level do you expect for 1984?

Dr. JUSTIZ. That is a decision determined by the Council, Senator. The Council has not made that determination.

Senator PROXMIRE. When will the Council make a decision? Will it make one before we act on your budget?

If it doesn't, how will we know how much to put in your budget?

I realize that we're talking about a very small amount.

Ms. CHRISTENSEN. The Council is a very small portion of the total salaries and expenses budget of the Department.

Senator PROXMIRE. An article written by Bill Peterson appearing in the March 14 Washington Post indicated a former Executive Director of the National Council on Educational Research, Robert Sweet, was accused of trying to use the Council to gain control of the National Institute of Education and set up a "new right think tank" but was sidetracked by Secretary Bell and removed from his post.

Was that accusation correct?

Dr. SENESE. I think Secretary Bell would be the proper person to comment on that.

Senator PROXMIRE. You know nothing about that?

Dr. SENESE. I am not commenting on the accuracy of that story, but I think Secretary Bell would be the proper person to answer that question.

Senator PROXMIRE. Will you ask Secretary Bell, for the record, to let us know?

Dr. SENESE. I will ask him.

[The information follows:]

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

The Secretary's views on this matter are that there was a misunderstanding concerning the Council's proper role, which is to review the conduct of, and to establish general policy for the Institute. In addition, a number of steps have been taken to assure that the Council and the Director work together constructively and in accordance with legislative intent. Last month the Secretary met with the Director of the Institute, Dr. Justiz, and the Chairman of the Council, Dr. George Roche, to further define the relationship between the Council and the Institute. As a result of these meetings, the Secretary expressed his belief that there will be a very productive and cooperative relationship between the Council and the Institute.

NIE RESEARCH AGENDA

Senator PROXMIRE. What safeguards exist within the structure of the National Institute of Education to prevent it from being manipulated for partisan purposes to support a particular educational ideology, the kind of thing the chairman was talking about?

In other words, how can we be sure that the research it supports is objective and unbiased?

Dr. SENESE. Dr. Justiz.

Dr. JUSTIZ. I would be happy to reply.

Senator, we work very closely with the Secretary in implementing Secretarial priorities and initiatives through our research agenda.

We also maintain very close contact with the field through peer group reviews, conferences, and study groups. There is constant communication with members of the education community at large, to insure that we are getting input from the education community, as well as parents, regarding the Institute's research agenda and priorities.

As I indicated, we have worked very closely with the Secretary and feel that our research agenda reflects Secretarial priorities.

I should add, Senator, as I know you are aware, the Commission on Excellence is getting ready to come out with a report after a year and a half of conducting public hearings and a very intense level of activity. That report will come out at the end of this month or the early part of April.

We plan to study closely the Commission's findings, and work with the Secretary to insure that our research agenda reflects the priorities and concerns identified in the Commission's report.

Senator PROXMIRE. Do you regard this as a structure within the National Institute of Education which will keep it objective in its research?

Dr. JUSTIZ. I feel good about the structure we have.

And, Senator, I can assure you that I am committed to high standards of professionalism and integrity. I believe the Institute can make a significant contribution, in serving the needs of the American people by working closely with the constituency and the client groups that we have in the field.

Plus, by utilizing our internal mechanism of the peer group review process, conferences, study groups, and the Secretary's direction, we can and will have an objective research agenda that reflects the needs as they exist in Amercan education today.

Senator PROXMIRE. I would think the best safeguard would be the broadest kind of publicity so that we all know exactly where you're going, and so forth. In that way you could be subject to criticism from the public.

Dr. JUSTIZ. I could not agree with you more, Senator.

In fact, if I may point out, U.S. News & World Report just came out with a statement——

Senator PROXMIRE. I read that article, "What's Wrong With Our Teachers?"

Dr. JUSTIZ. If you recall NIE research was quoted in the publication. Although it was an article that pointed out the problems in teacher education today, there are also some significant positive things happening that, in part, have resulted from the Institute's research.

UNSOLICITED PROPOSALS

Senator PROXMIRE. Dr. Senese, on page 173 of your budget justifcation, you indicate that future funding for national labs and centers will be awarded—and I quote—"in accordance with Government-wide competitive bidding procedures" yet in your prepared statement you say—and I quote—"unsolicited proposals in the area of teacher effectiveness" will be supported.

Why don't you apply the competitive principle in this area as well and issue a request for proposals instead of funding unsolicited applications?

Dr. SENESE. We have tried to maintain a balance.

Since that is more related to the Institute, maybe Dr. Justiz would like to comment on it.

Dr. JUSTIZ. The unsolicited proposal process is also a competitive process. We bring to bear a peer group review process of a number of outside readers to insure that proposals of high quality are supported.

In fact, just last year, we had 193 proposals submitted in the unsolicited proposal process of which 17 were supported by the Institute.

It is, Senator, a competitive process.

Senator PROXMIRE. Unsolicited applications is a peculiar kind of labeling.

It's apparently more systematic than that phrase would imply.

How do you secure unsolicited applications that are effectively competitive so that you can have standards that you can apply?

Dr. JUSTIZ. The intent of the unsolicited proposal process is to encourage field-generated research. Our belief is that there are often a lot of very good ideas and notions in the field about education.

Through what we have come to call "unsolicited proposals," we encourage field-generated ideas.

Senator PROXMIRE. In what sense are these unsolicited proposals competitive?

Dr. JUSTIZ. They all come to the Institute and are reviewed at a given time of the year. In fact, we're getting close to our review period now.

Senator PROXMIRE. They're reviewed at the same time?

Dr. JUSTIZ. They are all reviewed at the same time, Senator.

And, at that point, the review is conducted by readers that are selected based on their expertise and qualifications.

Senator PROXMIRE. How the readers review a proposal?

Dr. JUSTIZ. The review is based on the merits of the research being proposed, the rationale, the persuasiveness of the concern being brought to the attention of the Institute, and the consensus of the group of reviewers.

Proposals are rated according to merit, and a determination is made as to which ones might be funded with the resources that exist at the Institute to support that area.

Dr. SENESE. There is a regular established procedure, Senator, which describes this entire process. Public announcement is made for these proposals.

Some of the past proposals that were funded have been particularly useful—one that comes to mind is a proposal concerning the effect of enrollment decline on the single high school district. That came in as an unsolicited proposal, and it was very useful information.

Senator PROXMIRE. I just wish we could be happier with, or find another term for, this process.

You gentlemen have done a pretty good job of defending it. It certainly doesn't sound very effectively competitive.

REGIONAL LABS AND NATIONAL RESEARCH CENTERS

Dr. Senese, let me ask you the $64 question.

Why shouldn't we just fund the regional labs and national research centers and do away with the NIE superstructure?

That would obviously save dollars.

Why wouldn't that be a cost-effective way to economize?

Dr. SENESE. We do get a certain benefit, Senator, in having the mix.

As you know, the labs provide regional services, and the centers focus on national priorities in education.

In addition to the labs and centers, we have a number of continuing obligations.

For example, the ERIC system, and NAEP—these activities are very important to continue.

Also, I think there are a number of problems and issues that come up from time to time for which research provides a very useful background.

I think it is important to have an Institute which can carry out Secretarial priorities and focus on some current educational issues.

I think that in the last 10 or 11 years the Institute has been in existence, we are really beginning to see the benefits of those years of research.

Senator PROXMIRE. I'm still skeptical about that.

Will you provide as much of a rationale for the record as you can to support your testimony?

Dr. SENESE. We would be glad to.

[The information follows:]

NIE PROGRAM ACCOMPLISHMENTS

The following are but a few of the recent examples of how NIE's resources are assisting State, local, and Federal policymakers and the educational community to improve the quality of education.

Regional Laboratories and National Research Centers

- Sponsored 5,000 events in the last two years to assist State and local education agencies and groups of concerned parents and citizens with their efforts to support educational excellence. These events include teacher/administrator training workshops. Approximately 150,000 people have participated nationwide. Examples include:
    - Workshops for parent groups on student testing and needs assessment issues.
    - Workshops on assessment and testing issues for 28,000 school, district, and State-level staff.
    - Workshops on school excellence issues for teachers and principals.
- Developed a wide variety of instructional and training materials, information reports, publications, and techniques. Most of these are disseminated widely by the labs and centers or are available upon request at cost. A number will be commercially published. Major products include:
    - "Direct Measures of Writing Skill: Issues and Applications,"
    - "Student Competencies Guide: Survival Skills for a Changing World,"
    - "Psychology of Mathematics Instruction,"
    - "Advances in Instructional Psychology" (in use in 130 school districts in 25 States),
    - "Higher Education Financing in the Fifty States,"
    - demonstrating a method for teachers to evaluate and disseminate to colleagues information about microcomputer educational courseware, and
    - a "Program Evaluation Kit" aimed at helping Federal, State, and local officials to design more effective evaluations.
- Sponsored basic and applied research in a variety of areas, including:
    - developmental studies of how children learn spelling and syntax, and identification of more effective ways of teaching children vocabulary words,

- providing new evidence that mainstreaming is a desirable practice for mildly handicapped children, and identifying useful procedures for teachers to follow in mainstreaming, and
- identifying effective methods of grouping children for instruction leading to an increase in mathematics achievement.

National Assessment of Educational Progress (NAEP)

o NAEP's primary purpose is to inform the public as to the condition of schooling in American. Over 1 million students have participated in the Assessment, with yearly participation of up to 100,000. The Assessment data base is the largest in the Department of Education, and it has yielded valuable insight into the educational progress of America's youth.

o A recent synthesis of findings from the 1970s highlighted the following points:

  - the reading performance of American youth improved for young students, while teenagers tended to hold their ground;
  - mathematical performance changed during the 1970s, with losses observed for older students, while 9-year-olds performed at nearly the same level from one assessment period to the next;
  - science performance stayed at about the same level for 9- and 13-year-olds, but 17-year-olds lost some ground;
  - examining the findings by level of achievement shows that American students with "poor academic track records" made major gains in reading during the 1970s, with blacks making the most progress, but "academically able teenagers" lost ground, particularly in math and science.

o A panel of experts, convened by NAEP, who studied the results recommended:

  - increased support for math and science programs, including a revision of high school math and science requirements, and new programs to recruit and retain math and science teachers;
  - a reexamination of the back-to-basics philosophy, since lower-order, so-called basic skills, are not necessarily the building blocks essential to acquiring higher order cognitive skills such as problem-solving, analyzing, and synthesizing.

o Further information on NAEP findings can be found in the "Director's Report to the Congress" submitted in January.

Educational Resources Information Center (ERIC)

- This nationwide educational information system consists of 16 clearinghouses, each focusing on a different educational area. A study of ERIC revealed that:
  - ERIC is used 2.7 million times a year, providing information on 30 million documents;
  - ERIC is made available through more than 3,000 different organizations, and that those organizations spend four times as much as is contributed by the Federal Government;
  - approximately 35,000 resource documents are acquired annually by the clearinghouses, with about half of those selected for entry into the data base; in addition, references to about 20,000 journal articles per year are included;
  - ERIC provides a data base of over 480,000 education documents that local educators can draw upon for information to improve local practice.

Urban Superintendents Network

- This Network of 22 superintendents of large urban areas promotes discussion of the problems and challenges facing urban school districts, and approaches that the superintendents are using to address these problems. These superintendents' decisions affect about 5 million students, or about 9 percent of all American elementary/secondary students.

Dissemination Capacity Building

- The Institute has supported the Regional Program (RP), which has substantially helped over 60 major educational organizations, including 90 percent of State education agencies (SEA's), to make their own dissemination programs stronger and more effective.

Other Activities

The Institute is engaged in a variety of other activities designed to improve American education through research, development and dissemination. Examples include:

- Computers in Schools. NIE-sponsored research provides an important source of objective information on the potentials and problems of using computers in education. Findings include the following:
  - A five-year study undertaken by the Educational Testing Service in cooperation with the Los Angeles Unified School District examined the effectiveness of drill-and-practice computer-assisted instruction (CAI) for

low-achieving students. Results were positive, with significant gains demonstrated on standardized tests in several subjects, notably mathematics. For example, fourth to sixth-grade students who received 10 minutes per day of reading CAI performed at the 60th-65th percentile of students without reading CAI at the end of only one year.

- Case studies of the uses of microcomputers in several school districts were produced by researchers at the Bank Street College of Education, and used to identify important areas for further research. Among the findings are that microcomputers on their own do not promote or guarantee any particular educational outcome, with observed uses varying extensively among districts, and that few of the elementary teachers observed in the study have yet successfully integrated microcomputers into their classroom curriculums.

o Mathematics and Science Education. An NIE-sponsored conference in February of this year was convened specifically to address the teacher shortage in science and mathematics, and included representatives from State and local education agencies. The conference proceedings will be available soon for dissemination to those interested in this critical problem.

o Research on Reading and Writing. Years of focused and sustained research efforts in these fields are paying off in knowledge which is being used to improve practice.

- Reading is now understood to be an active process through which the reader combines his or her prior knowledge with the printed message to contruct meaning. In this process, better readers supply strategies such as figuring out the meaning of a new word from its context in the sentence; poorer ones plod letter by letter and word by word, resulting in inefficient learning. An NIE-supported study at the University of Michigan was able to improve children's reading skills by increasing their awareness and use of such strategies, including skimming, re-reading, and summarizing the main points.

- Publishers of reading programs used throughout the country are modifying their materials based on the findings of research of this sort. For example, James Squire, Senior Vice President of the Ginn and Co. publishing firm in Lexington, Massachusetts, said the research "will force editors and authors to think through their basic assumptions in reading programs and look at how they are taking into account the experience and knowledge of pupils."

- Local efforts to improve the teaching of reading, such as the STAR reading program in New York City, have incorporated results of such research, with highly positive results.

  - We now have a fairly clear picture of the state of practice in writing instruction, based largely on NIE-sponsored research. The picture is not a very happy one: there is little writing instruction in schools, and what instruction there is focuses on mechanics and short-answer writing rather than on the development of fluent writing and key writing skills.

  - An experimental program supported by an NIE grant has demonstrated that children can learn to write much sooner than we had thought. For example, not only will first grade children write -- even short "books" -- but they will revise their writing in response to their readers' reactions. Currently, most writing instruction doesn't begin until significantly later, after children have learned to read, while teaching students to revise their writing, if it is done at all, comes sometime in the middle grades, or in high school. Results of this research project have been widely disseminated.

o Special Student Populations. Among the practitioner-focused publications supported by the Institute were these:

  - State and Federal Programs for Special Student Populations was produced by the Education Commission of the States. This is a policy booklet that details the nature, scope and magnitude of Federal and State compensatory education, bilingual education and special education programs. Policy booklets reach an audience of about 4,000.

  - Fine-tuning Special Education Finance is a guidebook for State-level policymakers and is designed to help interested parties address the most common and difficult problems concerning special education finance, rules, regulations and legislation. 500 copies will be distributed. Governors, chief State school officers, and State directors of special education will receive copies.

o Providing Family Choice. The Institute sponsored an all-day televised seminar on tuition tax credits featuring proponents and opponents of the policy. The conference was attended by about 150 individuals (Congressional aides, association members), and videotapes have subsequently been shown to a number of interested groups.

BLOCK GRANTS AND DATA REQUIREMENTS

Senator PROXMIRE. Under the Budget Reconciliation Act of 1981, some 40 authorizations for categorical programs were consolidated under the chapter 2 block grant for elementary and secondary education.

One of the justifications for block grants was that they would result in greater administrative efficiencies.

To what extent has the establishment of the chapter 2 block grant, which consolidated these programs, resulted in any proportional reduction in Federal statistical activities related to the abolished programs?

Dr. SENESE. Please repeat the last part of your question, Senator?

Senator PROXMIRE. To what extent has the establishment of the grant which consolidated the programs, resulted in any proportional reduction in Federal statistical activities related to the abolished programs?

In other words, has there been any proportional reduction in these Federal statistical activities, and what is the extent of that reduction?

Dr. SENESE. I do not believe so.

Ms. CHRISTENSEN. There has been a tremendous decrease in administrative costs in reporting burdens by the States. We will be glad to supply for the record what that is in volume and numbers. But, obviously, there is a tremendous decrease in that.

[The information follows:]

CHAPTER 2 ADMINISTRATIVE BURDEN

The only report required from the States under the chapter 2 block grant program is the application. We estimate that the amount of time needed for all 57 applications combined (States and outlying areas) is about 114 hours at a cost of $1,140.

Chapter 2 consolidated about 30 former categorical programs. The passage of chapter 2 has resulted in the elimination of 30 sets of regulations and has resulted in a savings for State and local governments of 259,390 hours and $1.8 million previously needed for required applications and reports. Costs for program administration have decreased as well. Under the categorical programs, States spent about 5 percent of their grants for State administration. Under chapter 2, they spend only 2.5 percent.

INCREASE IN BUDGET REQUEST

Senator PROXMIRE. And yet you are asking for an increase in your budget, aren't you?

How can you ask for an increase in your budget if you are getting a very large cut in administrative expenses?

Ms. CHRISTENSEN. We propose to fund our block grant programs at current levels.

Dr. SENESE. As far as statistics——

Senator PROXMIRE. But, statistics funding is being increased?

Dr. SENESE. Yes; that is correct.

Ms. ELDRIDGE. Senator, may I address that?

Senator PROXMIRE. Certainly.

Ms. ELDRIDGE. The data collection related to program areas is not the responsibility of the National Center for Education Statistics. Therefore, any savings that are accomplished vis a vis the block grants, would be reflected in the program budgets rather than in the statistics budget.

Dr. Senese. The same type of general statistics that are being collected on the condition of elementary, secondary, and post-secondary education is still being collected.

Senator Proxmire. Let me ask you this, then. As States assume a greater role in administering education programs—and that, of course, is the big thrust of the administration's chapter 2 block grant initiative—do you believe that we should assume a greater role in collecting and analyzing education-related data?

And, to what extent do States and localities undertake the collection of education statistics, apart from projects funded by NCES?

Dr. Senese. Let me answer the first part, and then Ms. Eldridge can answer the second part of that question.

I think it is even more important for the Federal Government to gather statistics during the time the responsibility is turned over to the State and local level. It is important to the States, when they are projecting future needs——

Senator Proxmire. You think you should assume a greater role?

Dr. Senese. Yes, I believe so. I think we have a continuing role.

Regarding statistics collected by States and localities, Ms. Eldridge may want to comment on that.

Ms. Eldridge. I would be very glad to respond to that, Senator.

There is relatively little, if any, controversy over the Federal role in data collection in the education sector.

Through our "outreach program," with the State and local officials and the education associations, the Center has attempted to determine the needs of the decisionmakers in the field.

Perhaps the most significant effort this year was the conversion of the 1980 census data to the school district level. These data tapes are now coming in. We expect they will be released next month. They will be provided to all the States, to all the State libraries, and State data centers. These tapes will be an unprecedented data resource for the State and the local education agencies, as well as political interests that go far beyond the education area.

We have produced significant data on computer usage at the secondary level, which has been extremely helpful. We have produced State profiles so that the States can assess where they stand in relationship to one another. We have produced special reports for specific interest groups.

Senator Proxmire. Let me ask you this then: Are you aware of any proposed changes in the structure or role of NCES under the administration's plan to abolish the Department of Education?

Dr. Senese. No; I am not. I think the administration has been very supportive in that data collection is an important Federal role.

Senator Proxmire. Would the inclusion of NCES under the jurisdiction of the Bureau of the Census result in any increased efficiency, in your opinion?

Dr. Senese. I really haven't looked into that matter.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EDUCATIONAL NEEDS FOR THE PACIFIC BASIN

Question: During our deliberations on the fiscal year 1983 Appropriations Bill for the Department of Education, our Committee, at Senator Inouye's request, specifically raised the issue with your predecessor as to the ability of the labs and centers program to address the special educational needs of the Pacific Basin. Since that time, we understand that officials of the Northwest Regional Educational Laboratory have met with the education leadership in Hawaii in order to explore the possibility of establishing a satellite in Hawaii which would focus exclusively upon the Pacific Basin. We further understand that these preliminary meetings went very well and that a formal request will soon be submitted to NIE for financial support. This proposal is expected to have the strong endorsement of each of the Pacific Basin education officers and governors. Accordingly, the committee would appreciate being kept informed of your administration's efforts to address these unique educational needs through such a mechanism.

Answer: We are exploring the issue of the special educational needs of the Pacific Basin, and we will work closely with the Committee to keep you informed of progress in this area.

EVALUATION OF NIE

Question: In the Department's annual report, 1982, mention is made of the fact that "there has been no major formal assessment of NIE to date." What is the reason for the absence of any formal assessment of NIE to date?

Answer: During the years that the National Institute of Education was part of the Department of Health, Education, and Welfare it was not part of the Office of Education (OE). However, OE's evaluation office was the only organization formally responsible for conducting education program evaluations, and its responsibilities were limited to OE programs.

In addition, NIE consists of many separate activities, including, for example, the labs and centers, the ERIC system, and the National Assessment of Educational Progress. Many of the larger activities within NIE have had major assessments. The Labs and Centers Review conducted by a panel established by Congressional mandate is one such assessment. Another NIE activity which has been assessed is the Educational Resources Information Center; reference is made in answers below to the results of this study. NAEP has also been the subjet of independent assessments including, most recently, a report by Willard Wirtz and Archie Lapointe, funded by several foundations, called "Measuring the Quality of Education." Presently, an assessment is being conducted of NIE's former program to increase the participation of women and minorities in educational research, which funded universities, research organizations, and education agencies to provide special training to women and minorities in research methodology.

The purpose of assessments such as these is to describe operation of the particular activities selected for study, assess their usefulness, and make suggestions for the future, such as ways to improve performance. Despite the absence of any formal assessment of NIE as a whole, the Institute makes use of a variety of formal and informal methods, including the studies cited above, to assess and improve its operation.

Question: Are any such evaluations in the planning stages?

Answer: The Department is currently giving special attention to coordination of all of the R&D activities it supports, of which NIE's are a major component. While a full-scale evaluation of NIE is not currently planned, NIE's activities will receive particular attention in coming months both as part of the examination of the Department's total R&D effort, and because the Institute is due for reauthorization in the near future.

EDUCATIONAL RESOURCES INFORMATION CENTER

Question: One activity enjoying NIE's support is what's called the "ERIC" Clearinghouse (Educational Resources Information Center). What is the function of the ERIC Clearinghouse?

Answer: The Educational Resources Information Center (ERIC) is a nation-wide educational information system consisting of 16 clearinghouses each specializing in a different educational area.

Each clearinghouse is responsible for searching out and acquiring the educational literature within its particular subject area, screening and selecting the highest quality and most relevant material, processing cataloging, indexing, abstracting the selected items for input into the data base, and providing information, analysis, and other major products and user services from the data base.

The clearinghouses acquire approximately 34,000 resource documents annually and select about 14,000 to 15,000 for input into the resource knowledge base plus 20,000 journal articles for the journal literature file. ERIC provides access to educational information which can help teachers, administrators, researchers and others involved in educational do their jobs more effectively.

The 16 clearinghouses are listed below:

Science, Mathematics Education
Ohio State University
Columbus, Ohio

Social Studies/Social Studies Education
Boulder, Colorado

Tests, Measuremenet, and Children Evaluation
Educational Testing Service
Princeton, New Jersey

Reading and Communications Skills
National Council of Teachers
Urbana, Illinois

Rural Educational and Small Schools
New Mexico State University
Las Cruces, New Mexico

Handicapped and Gifted
Council for Exceptional Children
Reston, Virginia

Adult, Career, and Vocational
Education
Ohio State University
Columbus, Ohio

Langauages and Linguistics
Center for Applied Linguistics
Washington, D.C.

Counseling and Personnel
Services
University of Michigan
Ann Arbor, Michigan

Teacher Education
American Association of
College for Teachers
Washington, D.C.

Junior Colleges
University of California
Los Angeles, California

Elementary and Early Childhood
University of Illinois
Urbana, Illinois

Urban Education
Teachers College, Columbia
University
New York, New York

Educational Management
University of Oregon
Eugene, Oregon

Information Resources
Syracuse University
School of Education
Syracuse, New York

Higher Education
George Washington University
Washington, D.C.

Question: How wide-spread is its use and by whom?

Answer: An independent study was conducted to determine the use of the ERIC system by different types of user groups and of the costs associated with its operations at all levels including the Federal share. The study was completed in 1981 and the research found that the system is generally efficient, technologically up-to-date and widely used. More specifically we learned that:

- ERIC resources are used more than 2.7 million times annually, providing clients with more than 30 million bibliographic records and/or primary documents.
- The two groups accounting for the most annual usage of ERIC resources are students at colleges and universities and persons whose primary responsibility is teaching, training, or counseling. These two groups account for 34.4 percent and 29 percent, respectively, of annual ERIC usage.
- Sampling from a universe of 1.8 million persons employed in the educational community in the United States, data indicate 33.2 percent of these persons have used ERIC resources. More than 80 percent of those who have used ERIC are employed at the elementary or secondary school level.

Question: How much will be spent on ERIC in fiscal year 1983 and 1984?

Answer: The ERIC funding provided by NIE is $5.4 million in fiscal year 1983 and $5.3 million in fiscal year 1984.

Question: How much of ERIC Clearinghouse activities are supported with non-Federal funds?

Answer: Another significant finding of the ERIC Cost and Usage Study revealed that the Federal Government contributes only 4 percent of the total cost of maintaining and using ERIC.

Non-Federal funds for ERIC amount to approximately $130.3 million. Of that amount, non-government development costs represent $1.7 million. In addition, access points (intermediary organizations) spent $26.2 million and the estimated value of users time and expense for online searches was $102.3 million.

Question: Have you considered instituting a policy requiring "user fees" from those who access ERIC information on a regular basis?

Answer: ERIC operates under a policy of disseminating its educational information to a wide range of audiences at the most reasonable cost to the public.

The government subsidizes the generation of the data base, but users pay for all use of the data base (whether these uses are via an abstract journal, microfiche, or online data base). ERIC receives no royalties from the access process, thereby keeping the cost to the public as low as possible. At the same time, ERIC pays nothing for the creation of the 17,000,000 microfiche sold annually, nothing for the monthly journal article access, and pays nothing for the online computer access process. These are totally funded by the vendors and the public.

It may be of interest to note that on the average an hour of ERIC usage costs approximately $12.75. NIE contributes about 53 cents to each hour of use, while access points contribute $2.50 and the client contributes $9.70.

NIE RESEARCH PRIORITIES

Question: What are NIE's Research priorities for fiscal year 1984?

Answer: In fiscal year 1984 we will continue support for research and development activities that focus on the Secretary's priorities of improving the quality of education especially in the area of basic skills instruction, the utilization of technological innovations in the classroom, achievement in math and science, effective teaching and dissemination of research findings to States and local edcation agencies, school administrators, parents and others engaged in efforts to improve education practices.

Question: How have they changed from last year?

Answer: Since about 96 percent of the Institute's fiscal year 1984 budget will be used for continuation costs of multi-year awards made in previous years which primarily build upon work in the areas of effective schools, effective teaching, exemplary math and science and dissemination programs, there is very little change in our research priorities from fiscal year 1983 to 1984. Our new activities will focus on expanding our knowledge in the areas of technology, mathematics and science education, and dissemination in order to develop research findings and support programs which implement them.

CONTROVERSIAL RESEARCH COUNCIL

Question: Recent press reports (in both the Washington Post and the Washington Times) told of the controversy over the role of the National Council on Educational Research an its efforts to assume greater control of NIE's every day policies and procedures. It finally resulted in the ouster of the Executive Director of the Council, due to Secretary Bells' intervention. In your opinion, what is the appropriate role of the National Council on Educational Research?

Answer: I believe the most pertinent language regarding the appropriate role of the NCER, is found in the law creating NIE. In Conference Report 92-798, the Committee states, "it is intended that the Director of NIE have full responsibility for specific program policies and for the management of the Institute. The Council would establish over-all policies leaving to the Director decisions about programs, initiatives, and funding."

Question: Before the firing of the Executive Director, a number of resolutions were adopted by the Council, giving the Director of the Council access to all decision making processes within NIE, as well as a larger share of NIE's budget. Do you expect these resolutions to be revised as a result of the change in leadership on the Council?

Answer: To my knowledge none of the resolutions passed by the NCER at their meeting on February 17, 1983 have formally been transmitted to the Secretary of Education. However, I do expect the NCER resolutions to be modified and revised based on the Institute's comments.

Question: How much of NIE's budget will support the National Council on Educational Research?

Answer: The Institute has budgeted approximately $200,000 in fiscal year 1983 from its salaries and expenses budget allocation.

RESCISSION

Question: Among the various rescissions requested by the Administration for Education programs in fiscal year 1983, is a rescission of $6.2 million for the National Institute of Education in order "to reduce unnecessary government spending", according to the Department's own budget documents. If my calculations are correct, the revised level for fiscal year 1983 would then be about $4.3 million less than the President's original request for NIE in 1983, submitted a year ago. Why has the Administration changed its position relative to the funding level for fiscal year 1983 for the National Institute of Education?

Answer: There were some very difficult decisions that had to be made to reduce the Education Department's budget, NIE was one of the accounts that was negotiated over a period of several months.

The Secretary decided to reduce NIE's request for 1983 because, even with a rescission of $6.2 million, there would still be roughly a million dollars available for new awards.

Question: What activities would be affected most by the rescission were it to occur? What "unnecessary" activities originally budgeted for would now be eliminated?

Answer: The activities that would be eliminated as a result of the rescission are planned new activitives in the areas of effective schools emphasizing basic, higher level and literacy skills; programs for improving instructional effectiveness; research on raising student achievement levels; and programs to enhance the capacity of States and local institutions to deliver quality education services.

Question: Why are these activities "unnecessary" now when they were deemed to be necessary in the original budget submission?

Answer: These activities were not deemed unnecessary. Rather, it was a matter of making choices to reduce Federal spending.

LABORATORIES AND CENTERS

Question: Included in the fiscal year 1983 Continuing Resolution was a directive to the Department to fund the Regional laboratories and Educational R & D Centers at a level of $30 million from within your appropriation. The Department was also instructed to establish new institutions in three regions of the country--New England, the Southeast, and the Central States. The fiscal year is nearly half over. Can you tell us what steps have been taken to establish these new institutions by the end of the fiscal year? Can you ensure that the competitions to establish these institutions will be held before the end of the current fiscal year?

Answer: The Institute's staff is presently planning for a competition to establish laboratories and centers in the central midwest, northeast and southeast or to provide continued support for the Southeast Council, as intended by the House and Senate Conference Report on the 1983 Continuing Resolution. NIE intends to conduct a competition and make awards by September 30, 1983.

Question: As you are aware, both the House and Senate have been highly supportive of labs and centers in spite of the fact that some of your predecessors at NIE were not quite as supportive. In fact, for the second year in a row, very little reference is made to the laboratories and centers in your budget documents or testimony despite the fact that they amount to more than half of your current budget. How much does the Department plan to spend on labs and centers in FY 1984?

Answer: In fiscal year 1984, NIE plans to spend $30.0 million on lab and center activities including support of the laboratories or centers to be established in the Midwest, New England region and Southeast, or, in the Southeast, the Southeastern Council for Educational Improvement.

Question: Last year, when questioned about the reasons for not mentioning in your justifications the accomplishments of labs and centers, the Department's response was that it was due to an "oversight" (p 329 of part 4, fiscal year 1983 Labor/HHS Hearings). Why was this "oversight" not corrected for fiscal year 1984?

Answer: Last year, subsequent to the Hearings, the lab and center accomplishment data was submitted to the Committee and was later published in the record of the hearings (page 337 of part 4, fiscal year 1983 Labor/HHS Hearings).

We regret the omission again this year and will ensure that future budget submissions will contain lab and center accomplishment data. However, in response to your request we are now submitting a separate list which identifies specific laboratory and center accomplishments.

[The information follows:]

ILLUSTRATIVE PROJECTS OF THE LABORATORIES AND CENTERS

NIE supports eight regional educational laboratories and nine research and development centers. The primary purpose of the labs is to determine and help meet the educational research and development needs in a specified region of the country, while the centers provide national research leadership in a specified problem area of national importance. They conduct a wide variety of R&D activities, from fundamental research through dissemination and technical assistance. Following are brief descriptions of some of their accomplishments:

- The Appalachia Educational Laboratory (AEL) in Charleston, West Virginia, implemented a statewide accounting system; identified, evaluated, and implemented basic skills remediation programs in LEAs; conducted a survey on how the public becomes informed about education; developed a model remediation program for secondary schools; and developed procedures for reducing disruptive and truant behavior. To date, pilot testing in four rural Appalachian school districts has shown that microcomputer software in mathematics is effective in increasing student scores on the California Test of Basic Skills.

- The Southwest Educational Development Laboratory (SEDL) in Austin, Texas, provided symposia, workshops, and colloquies which contributed to improved understanding about trends and processes for addressing typical problems of management, inservice training, and evaluation faced by top level staff in SEA's; and developed a model for inservice training.

- The Northwest Regional Educational Laboratory (NWREL) in Portland, Oregon, developed a model, "Microcomputer Software Information for Teachers" (MicroSIFT), for evaluating and disseminating microcomputer educational courseware and information. MicroSIFT provides current validated information on courseware quality as well as a model for in-district or in-State courseware evaluation and selection. The MicroSIFT mailing list currently numbers 7,500. In addition, the laboratory developed the "Resources for Computer Education" (RICE) data base which provides a single on-line source for complete information about courseware availability including quality. Also, over the past three years the following products have been developed and disseminated to schools, districts, States, and university personnel throughout the region and nation: A Directory of Goal Based

Approaches to Education which describes 100 programs that have goal based characteristics; and a series of Program Profiles that describe in detail exemplary goal based approaches used in schools, school districts, and States. A book entiled Competency Based Education: Beyond Minimum Competency Testing describes concepts of competency based education and highlights schools and school districts using such practices. Past funding has led to the development of the Indian Reading Series, a set of grade-appropriate books, written in English, which build upon the Indian child's community experiences for teaching reading.

- The Center for the Social Organization of Schools (CSOS) in Baltimore, Maryland, tested ways of organizing classrooms to enhance learning and achievement through increased attention and group cooperation; developed a measurement device, the "Quality of School Life," used extensively by school districts; produced important research findings on how to group children for instruction which led to an increase in mathematics achievement; provided information on how to involve parents more fully in the schooling process.

- The National Center for Higher Education Management Systems (NCHEMS), located in Boulder, Colorado, produced the publication Higher Eduction Financing in the Fifty States, which provides comparative data extremely useful to researchers, higher education administrators, and other concerned parties in the States; created a comprehensive data base on higher education, which is a major resource for higher education researchers and planners; offered educational seminars on such topics as strategic planning in higher education, legal issues, personnel management, and evaluation to over 1,000 college and university administrators; and published the proceedings of the NCHEMS National Assembly on Higher Education and Industry, Managing the Partnership.

- The Mid-continent Regional Educational Laboratory (McREL) in Kansas City, Missouri, developed a school improvement workshop summarizing many of the findings from the school improvement research of the last decade and held workshops for educators in more than 100 schools located in the McREL service region; and commissioned papers on rural science curricula, rural vocational education, and funding formula issues that have been widely distributed and quoted.

- The Center for the Study of Evaluation (CSE) at UCLA produced numerous publications including Improving Instruction Through the Management of Testing and Evaluation Activities and Using Evaluation, which are much used texts in the field of evaluation; and conducted research which identified the characteristics and functions of local evaluation activities on a national basis. Recently, CSE research was used by Federal officials in considering ways to make evaluations of Chapter I, ECIA (formerly Title I, ESEA) more useful. More than 150,000 units of CSE's Program Evaluation Kit have been purchased as a result of dissemination about CSE's prior research, and more than 20,000 practitioners and others have been aided directly or indirectly by CSE-sponsored training.

- The Far West Laboratory for Educational Research and Development (FWL) in San Francisco, California, produced useful information on the effects of class size and various instructional grouping practices on student achievement; produced useful descriptions and explanations of instructional management practices used by principals; identified effective teaching and schooling practices at the junior high school level which influence student learning in math and other subject areas; and implemented the interactive R&D method which has brought about improvement of practices in a variety of sites around the country.

- The National Center for Research on Vocational Education (NCRVE) at Ohio State University developed a set of work orientation skills that employers, staff, and youth consider essential for employment and which have been incorporated into a number of programs associated with high risk youth; and strengthened the knowledge base about what schools can do to foster ongoing career development in a time when work demands are rapidly changing and public assistance costs are growing.

- The Learning Research and Development Center (LRDC) at the University of Pittsburgh developed a reading curriculum called the New Reading System which is effective in teaching decoding skills to slow learners; conducted research which indicated that slow word recognition in beginning readers is an important factor producing subsequent difficult in reading comprehension; identified factors in commercially published reading texts for elementary school children that are likely to interfere with children's comprehension of stories; identified new and more effective ways of teaching children vocabulary words; identified ways in which evaluation researchers can structure their work to produce information that is useful to local school districts; provided new evidence that mainstreaming is a desirable practice and recommended procedures for teachers to follow in integrating mildly handicapped children into regular classrooms.

- The Research and Development Center for Teacher Education (RDCTE) at the University of Texas conducted research which suggests that the way parents interact with the schools, the assumptions of school personnel about parental values and influences on behavior, and the way school personnel perceive and categorize student behaviors directly affect the behavioral norms of the children in schools; produced a classroom management manual for junior high school teachers which has been used extensively in in-service training programs.

- The Southwest Regional Laboratory (SWRL) in Los Alamitos, California, produced several research reports for practitioners; conducted workshops on writing research and practice; produced a handbook for developing local assessments of elementary school mathematics; completed the SWRL Ginn Communications Skills Programs for reading, spelling, composition, and oral language (K-6 programs); conducted conferences and published proceedings on: Computers in Composition Instruction, Research and Instruction in Practical Writing, and Writing: Policies, Problems, and Possibilities.

- The Wisconsin Center for Education Research (WCER) at the University of Wisconsin in Madison, Wsicousin, supported a conference on state-of-the-art programs using microprocessors in language arts instruction; conducted a synthesis conference on grouping practices in the classroom; conducted conferences on secondary schools; and produced an extremely rigorous and frutiful developmental studies of spelling and syntax.

- The Institute for Research on Educational Finance and Governance (IFG) at Stanford University established a quarterly publication, IFG Policy Notes and Policy perspectives, designed to address research issues of concern to practitioner and policy-making audiences and has distributed it quarterly to more than 3,000 individuals nationwide; sponsored an all day televised seminar on tuition tax credits; hosted an international conference on recurrent education; developed a Resource Cost Model, a financial decision making model, which was subsequently adopted by the State of Illinois.

- Research for Better Schools (RBS) in Philadelphia assisted the State Departments of Education in Delaware, Maryland, New Jersey, and Pennsylvania on the design and implementation of their school improvement initiatives which influenced all of the school districts and schools in these States; worked with selected school districts to increase the basic skills achievement of students, and produced significant gains; worked with the professional educational associations in its region to increase the knowledge and skills of their members, particularly in urban areas.

- The Center for Educational Policy and Management (CEPM) at the University of Oregon has done extensive work on collective bargaining which produced a Handbook on Contract Language for attorneys and laymen on both sides of the bargaining table (to be published by Butterworth Legal Publishers in 1984), a research report showing progress toward equity in men's and women's salaries and promotion rates in education in recent years, and several papers and a major conference on the effects of collective bargaining on education. Work on more effective approaches to in-service training produced a useful summary of teacher's experiences with inservice and an experiment to test whether "coaching" helps teachers transfer new skills to the classroom. Work to bring research findings to bear on practical problems through a training network of administrators proceeded full strength in two States (involving administrator associations and several hundred participants), and was begun in two others. Finally, a major study of superintendents' managment of conflict was completed. The Center's quarterly newsletter summarized issues in collective bargaining, in-service training, and technology.

Question: According to the Department of Education's annual report for 1982, mention is made of a 1979 review and evaluation of NIE's labs and centers which strongly endorsed the concept of R & D Centers and Regional Education Laboratories. The panel found that "the Institutes are doing work of quality and significance for American Eduction". Do you agree with that conclusion?

Answer: I have reviewed the 1979 Panel's report, and I agree that the concept of R&D centers and regional laboratories has the potential for making an important contribution to American education. Many of these institutions have done significant work over the past years, and I look forward to the recompetition of such a network for 1985 and beyond.

Question: Recently, the Department's Office of Management conducted "Service Delivery Assessment" of the labs and centers. Last year, at our Hearings, the Department indicated that the final SDA Report would be shared with this Committee. When can we expect to receive this Report? What is the status of the SDAs?

Answer: It is my understanding that the SDA reports will soon be released by the Department. Although these studies were intended only to provide management information and general background on labs and centers, we will certainly make copies available to you when they are ready.

Question: How much will the Service Delivery Assessment cost altogether when it is completed and how much has it cost already?

Answer: Specific funding information is not available for the study; however, the estimated cost is $30,000.

EDUCATION STATISTICS

Question: As States assume a greater role in administering education programs, such as through the Chapter 2 Block grant, do you believe they should assume a greater role in collecting and analyzing education-related data?

Answer: In carrying out their responsibility for determining the distribution of their respective Chapter 2 funds, the States do play a greater role in analyzing education-related data. However, the performance of this role requires the availability of comparable national data disaggregated to State and local levels. Such comparable data can only be provided through a national data collection system which is based on uniform definitions and methodology. Assisting the States in this area of information dissemination is one of the Center's primary functions.

Question: To what extent do States and localities undertake the collection of education statistics apart from projects funded by NCES?

Answer: The States are heavily involved in collecting specific detailed information on students, teachers, finances, schools and curricula for their own purposes. Frequently these data are collected to serve specific legislative, regulatory, or monitoring requirements at the State, local or institutional level. In addition, the great majority of time needed by people at the State and local level to supply statistical data to the Department of Education -- roughly 90 percent -- is in connection with administrative information related to a specific program in the Department, not to NCES requests.

Question: What justification is there for continued Federal support for the collection of education data by NCES?

Answer: One specific role for the Federal Government in education is with respect to the collection of data. Data are at times too difficult or costly for any one State or local school system to collect and yet may aid in describing the condition of education or allow particular comparisons that may transcend State or local school system boundaries. Congress recognized as early as 1866, when it established the first Office of Education, that there was a need to gather data on the condition of education at the Federal level. Since that time Congress has expanded that role by passing specific legislation mandating data collection for the various levels of education, and to insure that the information is as accurate, timely and unbiased as possible.

Perhaps the most important aspect of the Federal role in data collection is the uniformity of data definitions. This has been repeatedly articulated by education policy makers at the State and local level before Congressional committees.

Question: Are you aware of any proposed changes in the structure or role of NCES under the Administration's plan to abolish the Department of Education?

Answer: Not at the present time. The Secretary has repeatedly emphasized the need to maintain a Federal role in collecting and analyzing statistics.

Question: Would including NCES under the jurisdiction of the Bureau of the Census result in any increased efficiency, in your opinion?

Answer: It is doubtful that it would. In addition, the link between decisions about data collection on the one hand, and Federal education policy on the other would in all probability be weaker.

VOCATIONAL EDUCATION DATA SYSTEM

Question: How much is currently being spent by NCES on the Vocational Education Data System (VEDS)? How much do you propose to spend on the Vocational Education Data System in fiscal year 1984?

Answer: NCES will spend about $1 million in fiscal year 1983 and anticipates spending approximately the same amount in fiscal year 1984.

Question: How has the Vocational Education Data System contributed to the improvement of vocational education programs at the Federal, State and local levels?

Answer: Under the current VEDS mandate, NCES is neither charged with, nor has the resources for data collection activities focused on the improvement of vocational programs. However, during NCES' work of collecting and disseminating VEDS data, we have learned from State and local agencies some of the ways that VEDS data is being used. For example:

- California uses VEDS data to prepare its (VEA) Vocational Education Act accountability report, its State Plan, and specific reports to the State legislature.
- In Nebraska VEDS data are used to distribute Federal VEA funds, by the State Advisory Council in its reports to the State Board of Vocational Education, and in a pilot planning project.
- In Georgia, VEDS was the stimulus for the State Vocational Management Information System, which now provides the basis for evaluating the State Vocational Education Program.

In addition, many other organizations have requested VEDS data for a variety of purposes. Also, VEDS data is used for the Secretary of Education's Annual Report to the Congress on Vocational Education.

Question: From time to time, this Committee has received complaints about the existence of "sex stereotyping" in vocational education programs. Has NCES noted any changes in this trend?

Answer: Vocational education enrollments for the three available VEDS data collections show strong continued "sex stereotyping" within many programs. Several patterns are clearly apparent when the enrollment statistics for each of the 116 specific vocational education programs are examined. Those programs which carry the strongest stereotypes are, if anything, becoming even more predominantly single sex. Only in programs without traditional stereotype does there appear to be much proportional shifting of enrollment between the sexes. These changes are for the most part hidden if one looks only at enrollment statistics aggregated into the nine traditional general "program areas". For these areas, only one, health (which has been predominantly female), has shown much change overall in the percentage of enrollment by sex, dropping from 84.3 to 71.4 percent female.

Examples of the single sex concentration may be found in the trade and industrial program area, where several programs have shifted from over 90 percent male to over 95 percent male, such as appliance repair, carpentry, masonry, and diesel mechanics. On the other hand, several programs with female enrollment totals of more than 90 percent in 1981 include: nursing, (associate degree), medical assistant, stenographic and secretarial.

Those programs which appear to have changed most, in terms of enrollments by sex, are those not leading to occupations traditionally stereotyped by society. Programs where females have increased their participation include some with initial low female enrollment:

- scientific data processing (32.4% to 54.5%);
- police science (22.8% to 29.3%); and
- commercial photography (31.8% to 43.4%).

On the other hand, female enrollment has decreased in

- real estate (50.1% to 47.0%); and
- medical emergency technology (53.5% to 37.1%).

These figures may reflect selective effects of unemployment, inhibiting entry to some occupations, or return to more traditional views of sex roles for some occupations.

Question: We understand that NCES has published only one complete report from the Vocational Education Data System. Are there any plans to publish additional reports?

Answer: The Department of Education, like other Federal agencies, is working to reduce the number of its publications in response to the Federal Paperwork Reduction Act. As a consequence and because we are working to iron out problems with this data base, NCES has not published additional comprehensive reports. However, five bulletins, based on the 1980-81 data, have been published along with a package of some 20 preliminary tables. Data from VEDS have also been included in the widely distributed "Condition of Education, 1982 Edition", as well as the 1981 Edition, and in the Condition of Vocational Education (1981). Additionally, a number of papers for professional meetings have utilized the data. VEDS has also been the focal point of testimony to the House Subcommittee on Elementary, Secondary, and Vocational Education on September 17, 1980, and December 10, 1981.

A major mode of dissemination has been the availability of complete data tapes for the years 1978-79, 1979-80, and 1980-81; these may be purchased from NCES at cost. There are also available some 220 tables showing breakdowns of the data by various combinations of items of interest, e.g., enrollment in specific vocational instructional programs by race/ethnic and sex categories, completion of programs by the same categories, and instructional expenditure data by major program area and Federal vs. non-Federal source of funds. All of these tables and considerable special tabulations have been provided to the Office of Vocational and Adult Education for use in the Department's Annual Accountability Report to the Congress.

With respect to future plans, NCES will continue to release bulletins and brief reports, to supply data to Department and other requestors, and make available data tapes at cost, with updates as new data years are added to the overall data base. By June 1, 1983, NCES will have finished linking the data bases for the three years 1979-1980, 1980-81, and 1981-82, so that three year trend analyses can be completed on these data. By mid-year, NCES plans to release a series of four "factbooks", one for each of the four types of institutions which provide vocational education, which will contain in chart and table format the key vocational education findings for 1980-81 individually for each of the 50 States and the District of

Columbia. Finally, NCES is planning a revised edition of the major report, the Condition of Vocational Education, for 1984.

Question: What has been done to resolve problems concerning the timely publication of Vocational Education Data System reports?

Answer: Although the entire VEDS data base has never been published as a single report, major portions of the three complete years have been released in the form of data tapes and extensive sets of tables displaying many different data elements and their combinations. Written reports have of necessity received lower priority than activities concerned with the receipt, logging, error resolution, editing, and installation of data in a well-designed and functional data base. As was expected, particularly in the early years of this new system, data submitted by the States has been quite variable in quality, and dependent upon the capability of each State's data system. Some problems with reported data could not be corrected until two or more annual submissions were available for consistency checks. Thus, NCES has concentrated on the processing of the data, and on providing data for the Department's Annual Accountability Report to Congress, while maintaining a publication program as a lower level of priority. Now that data base and programming problems are subsiding, NCES has been able to turn a larger proportion of its staff resources to publications, while continuing to make the data themselves available to a wide variety of users both within and outside the Federal Government. It is expected that several major publications will be released this year, and in future years.

EDUCATIONAL STATISTICS

Question: Under the Budget Reconciliation Act of 1981, some 40 authorizations for categorical educational programs were consolidated under the Chapter 2 Block Grant (Elementary and Secondary Education). One of the justifications for Block Grants, was that they would result in greater administrative efficiencies. To what extent has the establishment of the Chapter 2 Block Grant, which consolidated some 40 education programs, resulted in any proportional reduction in Federal statistical activities related to these abolished programs?

Answer: The Center is not involved in the administration of the Chapter 2 Block Grant Program and does not routinely collect program specific information. In fact, more than 90 percent of the Department's data collection burden (the time needed by respondents to supply data) has been associated with program related data collection activities external to the Center.

To the extent that Chapter 2 requests and procedures streamline program administration they are bound to reduce the burden on participating agencies. The only report required from the States under the Chapter 2 block grant program is the application. The Department estimates that the amount of time needed for all 57 applications combined (States and Outlying Areas) is about 114 hours at a cost of $1,140.

Chapter 2 consolidated about 30 former categorical programs. The passage of Chapter 2 has resulted in the elimination of 30 sets of regulations and has resulted in a savings for State and local governments of 259,390 hours and $1.8 million previously needed for required applications and reports. Costs for program administration have decreased as well. Under the categorical programs, States spent about 5 percent of their grants for State administration. Under Chapter 2, they spend only 2.5 percent.

Question: What is the role of the National Center for Education Statistics (NCES) with regard to the collection of data from the States on the uses of the Block Grant?

Answer: As indicated above, the Center is not involved in the administration of the Chapter 2 block grant program, and does not routinely collect program specific information. However, the Department has several activities under way to supply data and information regarding the block grant program, and other activities are planned. These activities range from a current series of State case studies on block grant implementation and effects to a planned multi-year national study designed to provide information prior to 1986 reauthorization activity. Additional information concerning these activities, which are not sponsored by NCES, can be found in the portion of the budget hearing concerning the Special Programs and Populations account, which includes the Chapter 2 block grant.

Question: Does NCES have data that can be shared with this Committee relating to the use of the Block Grant by the States?

Answer: NCES has no data available on the States' use of the Block Grant.

Question: Can you tell us on what activities the States are using their Blcok Grant funds? What types of formerly categorical programs are not being supported by the Block Grants?

Answer: NCES does not have any nationally representative data on the States' activities using their Block Grant funds or on which antecedent categorical programs are no longer being supported by the Block Grants. Education Research Service recently conducted a survey of school districts for the National Association of School Administrators on the topic of Block Grants, and the results are just becoming available. The response rate for that survey was 45 percent. Preliminary reports indicate that more than half of the funds available to local school districts was spent on books and materials with a large portion of this amount going to computer hardware and software.

Question: The National Center for Education Statistics is one of only a small number of education programs for which the Administration is requesting an increase, although relatively small (+$158,000), for fiscal year 1984. On what basis does the Administration justify this increase?

Answer: The request for an additional $158,000 is to improve our elementary and secondary data sets. As you may recall, in the past two years we have revised the Common Core of Data series. That revision was instituted to streamline and increase the efficiency of the data collection program for this series. In alternate years, sample surveys will allow much more specific and timely examination of policy relevant data from the public school sector. The first of these sample surveys will be conducted in 1984.

Question: What new activities or studies will be undertaken in fiscal year 1984 by the National Center for Education Statistics?

Answer: In addition to the public school survey mentioned earlier, the Center is planning to expand slightly the collection of international statistics on mathematics, and to initiate a higher education facilities survey to gather data on the condition of facilities, evidence of deferred maintenance and equipment obsolescence. We also expect to initiate a college and university library survey that will collect data on library expenditures, collections and staffs.

FAST RESPONSE SURVEYS

Question: How many fast-response surveys are budgeted for in fiscal year 1984?

Answer: Four fast response surveys are budgeted for fiscal year 1984.

Question: How much do you propose to be spent on these surveys in fiscal year 1984?

Answer: We propose to spend $241,000 in fiscal year 1984.

Question: How much will be spent on fast-response surveys in fiscal year 1983? Please provide a list of these surveys and their cost for the record.

Answer: The projected expenditures are $200,000. These expenditures include estimated costs for work accomplished through March 31, 1983, and projected costs for continued efforts on surveys which have already been conducted as well as work on projected new surveys.

The fiscal year 1983 survey topics, tasks, and associated estimated costs are as follows:

- Completed Surveys: Trends in Vocational Education in the Arts (FRSS #11), $7,000; School District Perceptions of Federal Competitive Programs (FRSS #13), $10,000; Prior Work on Fast Response Surveys #14 thru #16 listed below, $78,000.
- New Surveys: Instructional Use of Computers in Public Schools (FRSS #14), $20,000; School District Academic Requirements and Achievement (FRSS #16), $25,000; Schools of Teacher Education (FRSS #16), $25,000; Projected Surveys, topics currently under discussion, $40,000.

QUESTION SUBMITTED BY SENATOR WILLIAM PROXMIRE

NIE LABORATORIES AND CENTERS

Senator Proxmire: Please provide a breakout of the budget for fiscal year 1984 for the regional educational laboratories and the national research centers.

Answer: The information you requested follows:

($ in millions)

Regional Educational Laboratories	FY 81	FY 82	FY 83	FY 84
Appalachian Educational Lab., Inc. Charleston, WV	1.7	1.5	1.5	1.5
CEMREL, Inc. St. Louis, MO	2.7	2.4	.5	—
Far West Laboratory for Educational Research and Development San Francisco, CA	2.7	2.5	2.5	2.5
Mid-Continent Regional Educ. Lab. Kansas City, MO	.9	.8	.8	.8
Northwest Regional Educ. Lab. Portland, OR	3.3	3.0	3.0	3.0
Research for Better Schools Philadelphia, PA	2.6	2.3	2.3	2.3
Southwest Educational Laboratory Austin, TX	1.7	1.5	1.5	1.5
Southwest Regional Laboratory Los Alamitos, CA	2.0	1.8	1.8	1.8
National Research Centers				
Center for Educational Policy and Management Eugene, OR	.8	.8	.8	.8
Center for Social Organization of Schools Baltimore, MD	1.4	1.2	1.2	1.2
Center for the Study of Evaluation Los Angeles, CA	1.0	.9	.9	.9
Institute for Research on Educational Finance and Governance Stanford, CA	1.3	1.2	1.2	1.2
Learning Research and Development Ctr. Pittsburgh, PA	2.6	2.4	2.4	2.4
National Center for Higher Education Management Systems Boulder, CO	1.6	1.4	1.4	1.4
National Center for Research in Vocational Education Columbus, OH	1.0	1.0	1.0	1.0

Research and Development Center for Teacher Education Austin, TX	1.6	1.5	1.5	1.5
Wisconsin Center for Education Research Madison, WI	2.1	2.0	2.0	2.0
New Labs or Centers				
Establishment of a lab or center in the central Midwest, New England, and the Southeast or, in the Southeast, support for the Southeastern Regional Council for Educational Improvement	--	--	3.7*	4.2
Total, labs and centers........	31.0	28.2	30.0	30.0

* Approximately $1.2 million of these funds will be required to support activities transferred from CEMREL to AEL and McREL. The remaining $0.7 million of funds originally budgeted for CEMREL will be allocated to high priority projects in the remaining labs and centers.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

SOUTHERN REGIONAL COUNCIL FOR EDUCATION IMPROVEMENT

Senator Chiles: The Conference Report for the FY 83 Continuing Resolution directed NIE to provide additional funds for either a new laboratory or center in the southeast, or an equivalent amount to support the Southeastern Regional Council for Educational Improvement.

Furthermore, in my letter of February 14, I expressed my support for the work of the Southeastern Council and my view that this Council serves as an excellent model and pilot project for the type of alternative mechanisms for coordinating research to be considered in future competitive approaches to labs and centers.

It is also my view that targeting additional FY 83 funds on the Southeastern Council would be a cost-effective way to maximize research dollars, and that consideration should be given to the fact that the Southeastern Council not only serves the four Southeastern states not currently served by any lab or center, but that the Council also serves eight other states. It is important to note that it enjoys the strong support of the chief state school officers in all of these states as a way to make effective use of federally funded education research.

First, what has been done to implement the Continuing Resolution report language. Specifically, has a decision been made whether to support the Southeastern Council as opposed to establishing a new lab or center, and when do you plan to make those funds available?

Answer: A decision has been made to increase NIE's support of R&D activities of the Southeastern Regional Council for Educational Improvement. Funds will be made available by September 30, 1983.

Senator Chiles: Secondly, what is the average level of support currently for labs and centers and have you determined the appropriate and equitable level of funding for the Southeast?

Answer: The average level of support during fiscal year 1982 was $1,965,955 for laboratories and $1,382,224 for centers. We are currently in the process of determining an appropriate and equitable level of funding within the increased fiscal year 1983 appropriation for the Southeast.

Senator Chiles: Thirdly, in view of sustained Congressional interest in regional equity and now, specific Congressional direction to provide equitable funding, will NIE develop long-range plans to ensure continued regional equity, and a long-term commitment to the Southeast Council as a viable alternative to a lab or center?

Answer: This issue is currently under discussion as we deal with the Congressionally mandated competitions for fiscal year 1985.

BILINGUAL EDUCATION PROGRAM

STATEMENT OF JESSE M. SORIANO, DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

ACCOMPANIED BY:

EDWARD SIMERMEYER, EXECUTIVE OFFICER, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICES, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator PROXMIRE. OK, now let's turn to the bilingual education program. That is the last program we will cover in this hearing.

I am pleased to welcome Mr. Jesse M. Soriano, who will present his department's testimony. We will include your statement in the record.

[The statement follows:]

STATEMENT OF JESSE M. SORIANO

I am pleased to appear before this committee today to testify on the fiscal year 1984 budget request and the fiscal year 1983 rescission proposal for Bilingual Education. The 1984 budget request emphasizes development of capacity in school districts and States to serve limited English proficient children. It targets funds on areas of highest priority and continues efforts begun in 1983 to streamline and focus bilingual education activities.

For fiscal year 1984, $94,534,000 is requested, the same as the 1983 revised request. The 1983 revised level reflects a proposed rescission of $43,523,000 from the Continuing Resolution level of $138,057,000.

Programs administered by the Office of Bilingual Education and Minority Languages Affairs are designed to address the academic needs of limited English proficient persons, focusing on assisting participants to improve their English proficiency while they make progress in subject matter skills. The Federal role under Title VII is to support school districts in the establishment and development of programs to serve limited English proficient children. Grants provide "seed money" to allow school districts to build capacity to serve their students and to institutionalize bilingual education programs.

Grants and contracts are also provided for training and support services on a regional and national basis and for bilingual vocational education activities.

Bilingual Education

For bilingual education, we are requesting $92,034,000, about the same as the 1983 revised request. While the total is basically the same, we propose some redistribution of funds to provide additional support to school districts and States. The changes are proposed in conjunction with a legislative proposal which we are submitting for fiscal year 1984. The amendments would broaden the instructional approaches that can be funded -- permitting the use of approaches that do not involve the child's native language; target grants more strongly on capacity-building; and strengthen the role of State educational agencies in improving bilingual education.

For Basic Grants to School Districts, we are requesting $59,724,000, an increase of $1.7 million over the 1983 revised request. At this funding level, we will be able to fund about 300 capacity-building grants and 55 demonstration grants. About 131,500 children will be served in these programs.

A total of $22,400,000 will be available for Training activities in fiscal year 1984. These funds will provide degree-oriented training for some 4,300 undergraduate and graduate students. They will provide grants to more than 150 institutions of higher education to complete the training of bilingual professionals and the design and implementation of bilingual education teacher training programs. Fourteen multi-service resource centers will provide inservice training and other services to school disticts and parents, and 14 training institutes will receive grants to work with parents and administrators.

The budget request provides a $3.1 million decrease for Training, as certain activities are phased out or consolidated. This streamlining of training activities will encourage use of State and local resources where possible, and reduce overlap of functions.

For Support Services, $9,910,000 is requested for fiscal year 1984, an increase of $1,400,000 from the 1983 revised request. This budget activity includes several programs -- State educational agency assistance, research and evaluation, a clearinghouse, and the National Advisory Council on Bilingual Education. We propose to fund all of them at the 1983 revised request level except for the State educational agency program for which funding will be increased by $1.4 million.

The increase for State agency assistance assumes that a legislative amendment will be passed that changes the formula currently in law and that authorizes a greater range of eligible activities. The funding increase will be targeted on States with small and medium populations of limited English proficient children.

The program will concentrate on building capacity in the States where it does not exist now and on using existing State expertise to improve local bilingual education activities.

Bilingual Vocational Training

For Bilingual Vocational Training, the budget requests $2,500,000, approximately the same as the 1983 revised request for this activity. At the 1984 request level, the program will provide continued aid for out-of-school youths and adults in 13 projects. About 695 students will receive services, about 130 instructors will be trained, and a curriculum development project will be funded.

While we are proposing a legislative change to authorize bilingual vocational training under the Bilingual Education Act, rather than the Vocational Education Act, there will be no changes in the types of activities offered or the eligibility criteria. The proposed change will consolidate authorizing authority under one title, reflecting present administrative and budgetary arrangements.

Fiscal Year 1983 Rescission

For fiscal year 1983, a rescission of $43,523,000 is proposed from the Continuing Resolution level of $138,057,000. This includes a reduction of $42,361,000 from bilingual education activities and $1,162,000 from bilingual vocational training. The rescission is proposed as part of an overall effort to reduce Government spending, but it will also eliminate some duplicative and less effective program activities and help streamline program administration.

Since there are other sources of funding for services to limited English proficient children, including Chapter 1, ECIA, and State programs of bilingual education, and because Federal funds are limited overall, we believe that the reductions proposed in this program are justified. A significant level of funding for bilingual education in 1983 is still provided under this request, sufficient to aid 415 school districts serving 127,500 children, support about 220 training grants and contracts, and fund all support services except materials development, which is being consolidated into comprehensive resource centers.

No funds are requested for bilingual desegregation grants, since similar activities may be supported under our basic grants program. Children in desegregation projects do not have to be limited English proficient and therefore may not have as much need for these services. The basic grants program is a better mechanism for assuring that limited English proficient children -- those most in need -- receive bilingual education services.

The 1983 revised level will also support 13 bilingual vocational training projects, which will serve 700 students, train 130 instructors, and fund a curriculum development project.

My colleagues and I will be glad to answer any questions you may have.

Biography of Jesse M. Soriano

NAME : Jesse M. Soriano

POSITION : Director, Office of Bilingual Education and Minority Languages Affairs

BIRTHPLACE AND DATE : San Antonio, Texas, October 21, 1933

EDUCATION : Michigan State University, 1959 B.A.
Michigan State University, 1962 M.A.
Michigan State University, 1963, M.A.

EXPERIENCE :

Present : Director, Office of Bilingual Education and Minority Languages Affairs, U.S. Department of Education
1969-1981 : Director, Office of Bilingual and Migrant Education, Michigan Department of Education

1957-1969 : Field Coordinator, Bilingual Teacher Training Program, Ann Arbor Public Schools

1964-1967 : Foreign Language Teacher, Detroit Public Schools

1959-1961 : Foreign Language Teacher, Marine City, Michigan

Additional Experience : Adjunct Instructor, University of Michigan, Flint, Michigan
Adjunct Instructor, Sienna Heights College, Adrian, Michigan
Coordinator, Indochinese Education Programs

PUBLICATIONS: Mexican-Americans in the Midwest, American Council on the Teaching of Foreign Languages Annals, March, 1969

Coop for the Homing Pigeons, Michigan Education Association Journal, October 1965.

Teaching English as a Second Language-Kindergarten, Foreign Language Innovative Curriculum Studies, 1969.

Teaching Spanish as a Second Language-Kindergarten, Foreign Language Innovative Curriculum Studies, 1969.

BUDGET REQUEST

Mr. SORIANO. I am pleased to appear before the committee to testify on the fiscal year 1984 budget request and the fiscal 1983 rescission proposal for bilingual education.

The 1984 budget request continues to emphasize the development of the capacity of school districts and States to serve limited English-proficient children.

For fiscal year 1984, $94,534,000 is requested. That is the same figure as the 1983 revised request. The 1983 revised level reflects a proposed rescission of $43,523,000 from the continuing resolution of $138,057,000.

As you know, programs administered by the Office of Bilingual Education and Minority Languages Affairs are designed to support school districts in the establishment and development of programs to serve limited English-proficient children. Under these grants the school districts are provided "seed money" to allow the school districts to develop their capacity or their resources to serve their limited English-proficient students, and to institutionalize bilingual education programs.

Grants and contracts are provided for training and support services on a regional and national basis. These go out to universities and nonprofit organizations, local school districts, and State educational agencies. Grants are also provided for vocational education activities.

1983 RESCISSION PROPOSAL

For the fiscal year 1983 rescission we are proposing a decrease of $43,525,000 from the continuing resolution level of $138,057,000. This includes a reduction of $42,361,000 from the bilingual education activities, and $1,162,000 from bilingual vocational training.

This rescission is proposed as a part of an overall effort to reduce Government spending, but it will also eliminate some duplicative and less effective program activities and help streamline program administration.

Since there are other sources of funding for services to limited English-proficient children, including chapter I, and State programs for bilingual education, and because Federal funds are limited overall, we believe that the reductions proposed in this program are reasonable.

A significant level of funding for bilingual education in 1983 is still provided under this request, sufficient to aid 415 school districts serving over 125,000 children and supporting about 220 training grants and contracts.

No funds are being requested for bilingual desegregation grants under the rescission request, since similar activities may be supported under our basic grants program. Also, children in desegregation projects do not have to be limited English proficient, and, therefore, may not have as much need for English language services which are provided through the basic grants.

The 1983 level will also support 13 bilingual vocational training projects which will serve 700 students, train 130 instructors, and fund curriculum development projects in vocational education.

1984 BUDGET REQUEST

Going on to the 1984 budget for bilingual education we are requesting $92,034,000, about the same as the 1983 revised request. The chief difference between 1983 and 1984 is that there has been some reordering of priorities and redistribution of funds within the budget to provide additional support to school districts and to States.

Under the major program which we call basic grants, we are requesting $59,724,000, an increase of $1.7 million over the 1983 revised request. At this funding level, we will be able to fund about 300 capacity-building grants and 55 demonstration grants, and will be able to serve approximately 131,000 children.

Under training, a total of $22,400,000 will be available for training activities in fiscal year 1984. These funds will provide degree-oriented training for some 4,300 undergraduate and graduate students. They will provide grants to more than 150 institutions of higher education and will support 15 multiservice resource centers which will provide in-service training and other services to school districts and parents. Also, 14 training institutes will receive grants to work with parents and administrators.

The 1984 budget request provides a $3.1 million decrease for training, as certain activities are phased out or consolidated. This streamlining of activities will encourage use of State and local resources where possible, and reduce some overlap of what we have been funding over the past several years.

Under support services, we are requesting $9,910,000 for fiscal year 1984. This is an increase of $1,400,000 from the 1983 revised request. This budget activity includes several programs—State educational agency assistance, research and evaluation, a clearinghouse, and the National Advisory Council on Bilingual Education. All of these are funded through the support services. We propose to fund them in 1984 at the 1983 revised request level, except for the State educational agency support program, for which funding will be increased by $1.4 million.

The increase for State agency assistance assumes that a legislative amendment, which we have also submitted, will be passed. It changes the current formula that authorizes the money for State educational agencies.

For bilingual vocational training, the budget requests $2,500,000, approximately the same as the 1983 revised request for this activity. At the 1984 request level the program will provide continued aid for out-of-school youth and adults in 13 projects. About 695 students will receive services, and about 130 instructors will be trained.

That is the extent of the information I have.

NUMBER OF CHILDREN SERVED UNDER BILINGUAL EDUCATION

Senator PROXMIRE. Very good, Mr. Soriano.

Mr. Soriano, you just indicated that if the rescission you are proposing is approved, you will have enough funding to aid 415 school districts serving 127,500 children. Your 1984 budget would allow you to serve about 131,500 children.

How many children would be served without the rescission?

Mr. SORIANO. Under the continuing resolution, sir, we had approximately 175,000 children.

Senator PROXMIRE. Now you propose to cut the group assisted with this money down to about 130,000 children. There are 3.6 million children in this country with limited English proficiency. Doesn't that mean that Federal funds are assisting about 4 percent of your target population, about 1 out of 25? Are you down that low?

Mr. SORIANO. A very small percentage of that 3.6 figure is served, Senator. We are not completely comfortable with that 3.6 million figure. We think that we have better figures which reduces that somewhat.

Senator PROXMIRE. Even if the 3.5 million estimate were reduced somewhat, you still would serve a very small proportion of the eligible population. My estimate was 4 percent. That is 1 out of 25. At best it might be what, 1 out of 15, 1 out of 10? It is still a tiny proportion when you consider the number of eligible children.

SELECTION OF APPLICANTS

How do you decide which children to help?

Mr. SORIANO. Selecting the children who are helped is decided by local school districts on the basis of local testing and assessments.

We have a criteria for it that designates——

Senator PROXMIRE. But don't you have to decide which school districts get the funds?

Mr. SORIANO. That's on the basis of competition of applications at this time.

Senator PROXMIRE. What standards do you use to decide whether support will go to a school in Wisconsin or a school in Illinois?

Mr. SORIANO. First of all, the applications are read by panels of readers for the quality of the application itself.

Then criteria generally are applied based on the concentration of children; whether that language population has been served before and what other types of resources are available in that area.

Senator PROXMIRE. If a school has been served before, would that be a plus or a minus in your evaluation?

Would you be more likely to fund it again, or not?

Mr. SORIANO. At this point in time it doesn't play as great a role as we would like it to. However, if a school has had title VII funds over a period of time, we consider it as a less needy district.

LONG-TERM AID TO DISTRICTS

Senator PROXMIRE. Then let me ask you this question: Your justifications indicate that 105 school districts, about 15 percent of the total number of districts you have funded since 1969, have received 10 or more years of aid.

How can you justify continuing to give this aid for 10 years to selected school districts, when so many others with limited English-proficient children have received no assistance whatsoever?

Mr. SORIANO. There are several reasons why that has happened. First of all, there is nothing in the current law that says that any school district is prohibited from applying for funds, even if funded before. The other thing that has happened is that in some cases there has been an influx of new language groups. You might have an influx of Southeast Asian youngsters in a district, for example, whereas at one time that school district might have been serving Spanish-speaking children. Then they put in an application for a new program.

The other thing that's happened is over the years school districts have applied for programs, say, for grades K through 3, and they get a 3-year grant for that. Then for the following application, they submit it for a program for grades 4 through 6. On that basis, then, we have had a number of districts which have continued to receive funds for some years. This, incidentally, is why we are proposing changes to the law which will limit the amount of time that a school district may receive funds—so that we can spread out the money more equitably.

I think, going back to your question about the numbers of children, Senator, the emphasis of the program is not so much on just the delivery of services to numbers of children, but rather, helping school districts across the Nation develop their resources, develop their capacity.

Senator PROXMIRE. Let's assume the principle is right, Mr. Soriano, that it's right to have a bilingual education program. Some people challenge that. They say it keeps children from learning English. They may be right or wrong. But if you have a program, it seems to me it's hard to justify having such a tiny proportion of the children who need assistance getting that assistance.

It is particularly hard to justify the kind of rescission the administration is asking, which would result in a sharp reduction.

OTHER PROGRAMS WHICH PROVIDE BILINGUAL EDUCATION

Mr. SORIANO. I think in line with that, we see these as reasonable cuts or reductions, and the reason we say that is because of several things. First of all, there are other Federal programs which provide assistance to limited English-proficient children.

Senator PROXMIRE. Such as?

Mr. SORIANO. Chapter I. Under the last count we had for chapter I, it provides services for some 447,000 limited English-proficient children.

Senator PROXMIRE. Bilingual?

Mr. SORIANO. Bilingual.

Senator PROXMIRE. For bilingual purposes?

Mr. SORIANO. Yes; that's how chapter I defines it in the study.

In addition to that——

Senator PROXMIRE. That program supports more bilingual services than you are providing.

Mr. SORIANO. Yes, sir.

In addition to that, over the years we have seen an increase in the amount of State commitment. We have seen any number of States in the last several years mandate their own bilingual programs and fund their own bilingual programs. Right now the last figures we had indicated that States provided over $86 million, to bilingual education programs.

We don't have any accurate figures on local school commitment, but our general impression is that local school districts are also providing more and more local programs and support. So that in view of those factors, sir——

Senator PROXMIRE. The program you just referred to is really aid to education for the disadvantaged. That's not bilingual education as such. Some of the bilingual children live under disadvantaged circumstances and receive title I assistance because they are disadvantaged. They would receive this help whether they had a bilingual problem or not. But most of the money is spent to assist them because they are disadvantaged, is it not?

Mr. SORIANO. A large number of limited English-proficient children, of course, are eligible for chapter I funds. We have noted that in the studies that we have, so that that's a fact. Some of the youngsters that we have now in title VII are also eligible for chapter I.

PURPOSE OF REDUCTIONS

Senator PROXMIRE. With your budget proposal, are you simply reducing the program, or are you beginning to phase it out?

Mr. SORIANO. No; we're simply making some reductions. We are phasing some specific activities out which we think are duplicative.

Senator PROXMIRE. What are you phasing out?

Mr. SORIANO. Desegregation grants.

Senator PROXMIRE. Why are you phasing those out?

Mr. SORIANO. First of all, desegregation grants are given out to children who are not necessarily limited English-proficient children. Second, in those areas where we have desegregation grants, we also find basic grants programs. We feel that the basic grants program probably serves those children best, and indeed, the major effort of bilingual education should be for limited English-proficient children, not for desegregation grants.

The other programs that we are proposing to phase out——

OTHER PROGRAMS PROVIDING BILINGUAL EDUCATION

Senator PROXMIRE. Can you tell us how much of your total Department of Education budget you are spending on bilingual education? You mentioned title I as well as the bilingual program. Give us an estimate and then give us the figures for the record?

Mr. SIMERMEYER. We can supply the figures for you. We don't have them.

Senator PROXMIRE. You couldn't give me an estimate off the top of your head?

Mr. SIMERMEYER. Not precisely.

Senator PROXMIRE. We would like the figures for 1983 and 1984.

[The information follows:]

FEDERAL PROGRAMS SERVING LIMITED ENGLISH-PROFICIENT POPULATION

Future funding for programs other than the bilingual education program itself cannot be definitely projected, because the limited English-proficient students identified are not served with designated portions of the funds. The funding for them is likely to be similar in 1983 and 1984 to that in 1982, however, particularly for programs which are relatively stable in funding, such as chapter 1 grants to LEA's.

Program	1982 funding	Impact on students and/or awards made
Bilingual education	$134,371,000 ($79.2 million for grants to LEA's)	In 1982, 175,750 children served; 559 districts participated.
Bilingual vocational training.	3,686,000	In 1982, served 1,066 students and trained 203 instructors.
Chapter 1 grants to LEA's, ECIA.	[1]200,000,000	In 1981, 447,000 children served.
Chapter 1 migrant education, ECIA.	[2]60,000,000	About 25 percent of the migrant population is limited English proficient.
Chapter 2, ECIA	NA	In 1982, States distributed at least $1,724,607 to local districts in four States based on use of limited English-proficient children as a high cost factor in distribution of funds. The number of children counted was 231,209. This does not mean the funds were used for the services, however.
Title IV, Civil Rights Act	6,357,864	In 1982, 11 centers and 8 grants to SEA's for national origin discrimination were supported.
Public library services (LSCA, title I).	2,500,000	Public library service funds used for limited English-proficient persons were matched by an additional $1.7 million in State and local funds.
Indian education	NA	In 1982, 55 projects included bilingual education as a component in their part A grants to LEA's project.
Vocational education	NA	In 1981, 170,000 students served, 94,000 of whom were in secondary school programs.
Adult education	[1]26,000,000	In 1981, 600,000 students served; 26 percent of all adult education students were limited English proficient.
Special services for disadvantaged students (TRIO).	[3]3,000,000	In 1980, 9,456 limited English-proficient students received services under TRIO.
Refugee assistance education.	22,000,000	In 1982, 143,207 children were served in projects in 2,541 local educational agencies.

See footnotes at end of table.

Program	1982 funding	Impact on students and/or awards made
State programs of bilingual education.	[3]$86,000,000	In 1981, 768,000 students were estimated to be served by State reports to Education Commission of the States.
Total all programs	543,915,000	

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[1] Funding estimated, projected from 1981, and based on number served.

[2] Rough estimate developed by applying the proportion of migrant children who are limited English proficient to total funding available in 1982. Better information will be available on 1983 participants.

[3] Funding estimated, projected from 1981.

BILINGUAL EDUCATION AND THE BLOCK GRANT

Senator Proxmire. Why was it that Secretary Bell stepped in 2 years ago to keep the bilingual program out of the block grant?

Mr. Soriano. The rationale was, this is a very unique population and program which might not be seen as a high priority in some of our local school districts if it were put under the block grant. I think it was an effort to insure that limited English-proficient youngsters were served.

INCREASED NEED FOR BILINGUAL EDUCATION

Senator Proxmire. The other reason why I would challenge your rescission is that you project a very, very sharp increase—I think you're right—in minority language school age children over the next 20 years. By the year 2000, you project a 33-percent increase, and yet you are cutting the funds available to them. The problem will get greater and the answer to the problem will be, apparently, weaker. Why is that?

Mr. Soriano. I think again this goes back to our indications from studies that there is an increasing contribution by State educational agencies. There is probably an increasing contribution by local school districts.

We have seen an increase in commitment by institutions of higher education in their teacher training that leads us to believe that we have developed some resources and a cadre of professionals in the field who will maintain the level of services.

NEED FOR BILINGUAL EDUCATION TEACHERS

Senator Proxmire. Let me challenge that. Two years ago, the Department testified there existed a shortage of trained bilingual teachers. Your justifications explain the proposed rescission this year for bilingual training funding as reflecting the fact, and I quote, "there may be little or no need for additional new teachers." That is a remarkable turnaround in 2 years.

Has the number of bilingual teachers increased in 2 years to a point where the number is adequate to meet the growing need?

Mr. Soriano. The number of bilingual teachers has increased; however, on the basis of more recent research——

Senator PROXMIRE. How much of an increase?

Mr. SORIANO. I don't know what is the increase. I would have to look that up. However, we have had recent research results which indicate an increase.

Senator PROXMIRE. Can you give me a rough estimate of the magnitude of the increase—10 percent, 50 percent?

Mr. SORIANO. I suspect it's less than a 10-percent increase in bilingual teachers.

Senator PROXMIRE. You say there has been less than a 10-percent increase in teachers yet you project a 32-percent increase in the children who will need this educational experience. You only serve 5 to 10 percent of eligible children, now, depending on the figures you use.

It seems to me there is a pretty small justification for this cut, unless, as I say, we proceed on the principle that we don't want it at all, that we're eliminating the whole program. Maybe we ought to cut it out entirely or be more generous.

Mr. SORIANO. First of all, when I said 10 percent, I was thinking in terms of the teachers that we train directly though title VII, which is probably a small number. One study said that the numbers of needed teachers ranges between 43,000 and 99,000, which is quite a range. Under this recent survey that we have access to now, we find that there are at least 55,000 teachers who use non-English language in their instruction. We have many teachers, over 100,000 teachers, who teach English as a second language.

Now, given our proposed amendments to the legislation, where we will allow greater flexibility in instructional approaches, such as the use of English as a second language, the need for training of bilingual teachers may not be as great. English as a second language teachers, while they do require some specialized training, aren't necessarily bilingual. So this change may also have some impact on the need for bilingual teachers.

We also found, on the basis of the survey, that there are many qualified teachers who are not using their bilingual skills. They are not placed in bilingual programs or used in bilingual settings. This is at the discretion of local school districts, of course, but we do find there are teachers out there who could be used if it was necessary.

Those are just some things that lead us to revise our feeling about the need for teachers.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator PROXMIRE. Thank you very much, Mr. Soriano. We will have additional questions for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EFFECT OF 1984 LEGISLATIVE PROPOSAL ON DISTRIBUTION OF FUNDS

Question: Your budget contains quite a few proposals which, in some cases, appear to markedly re-focus the bilingual program. Could you tell us how would your proposals alter the current method by which grant funds are distributed to school districts?

Answer: The bilingual education program of grants to school districts would remain a discretionary program, as it currently operates. However, the proposal would make the following changes that would affect which applications were approved: (1) revised criteria for selection of proposals that would take into account the extent of district capacity to serve limited English proficient children; (2) special priority for projects which propose to serve children whose usual language is not English; and (3) a limit in the number of years districts may receive grants, beginning in 1984.

Under the revised criteria for applications, school districts would make assessments in the following areas: (1) the needs of limited English proficient children; (2) the methods of instruction selected for serving such children; (3) how Federal funds would be used to build their capacity to serve such children when Federal assistance for basic grants is no longer available; (4) their current ability to serve such children, including the qualifications of personnel who would participate in the project and their need for further training; and (5) the success of their past efforts to build capacity to serve such children with previous assistance under the Act.

We propose to give priority to projects which propose to serve children whose usual language is not English because these children have the most immediate need for services. A number of limited English proficient children speak and understand English better than they do their native language. The present estimate of limited English proficient children in the nation is 3.6 million, but of this number only about 1.6 million usually speak a language other than English. The children who usually speak English still may need instruction that takes into account their language difficulties, but children who speak little or no English at all usually have a greater immediate need. At present a number of children served by the basic grants program do not usually speak a non-English language. Our proposal would give priority to applicants proposing to serve those children who do.

Districts will no longer receive aid after they have received five years of funding beginning in 1984. School districts applying for basic grants in 1984 and subsequent years -- for the first time ever or for a new grant after earlier ones have been completed -- will be subject to a five year limit on aid. Individual projects will be limited to a maximum of three years -- as is currently the case -- but a district can apply for more grants up to a total of five years, if it can show that the first grant did build capacity in the district and that it has need for additional aid.

No currently funded projects would be affected by passage of the proposal. Grantees with a multi-year award approved before fiscal year 1984 would receive continuation awards based on the provisions in effect when the award was made, and no changes would be required in the activities being supported. The five year limit would apply only after any multi-year awards begun before fiscal year 1984 were completed.

We believe that five years of Federal aid is sufficient time for a district to perform most or all of the key functions needed to develop capacity to serve limited English proficient children. The limit will ensure both that districts concentrate seriously on capacity-building and that limited Federal funds will be available for new districts which have not received the benefits of Federal aid.

FAIRNESS OF CURRENT SYSTEM TO INEXPERIENCED APPLICANTS

Question: Does the current system act to penalize school districts which may not have a polished team of grants-people to write proposals?

Answer: There are two steps in the Department's review process for bilingual education applications. In the first step, the Secretary uses groups of experts to evaluate applications and assign points using weighted selection criteria specified in regulations governing the program. The selection criteria address the quality of the proposed project, the proposed operating and evaluation plans, and the project personnel, as well as other factors that relate to the purposes of Federal assistance and to statutory and regulatory requirements. To be considered for funding under the Basic Projects program, an application must meet the cut-off score established by the Secretary under Section 501.31(a) of the regulations.

However, the scores and quality ranking of an application are not the only factors that the Secretary considers in selecting applications for funding under the Basic Projects program. The law [20 U.S.C. 3231(b)(4)] and the regulations [34 CFR 501.31(b)] governing the Basic Projects program establish priorities and other factors that the Secretary must consider when selecting projects for funding. These factors include the need to assist children of limited English proficiency who have been historically underserved; geographical distribution of the target population; and the percentage of children to be served who are from low-income families. Another factor is the percentage of children to be served in the project who have never been served under programs supported by the Bilingual Education Act.

In the second step of the application review process, the Secretary selects, from among the applications that meet the quality cut-off score, those applications that meet the statutory funding priorities described above. This acts to counterbalance the effect of capability in designing projects and writing proposals.

The Department has attempted to design instructions for applicants to facilitate easy preparation of proposals and has encouraged applicants to prepare applications and write program narratives that follow the selection criteria in the order they appear in the regulations. This has resulted in the submission of better-structured, more complete, and higher quality applications from both experienced and inexperienced proposal writers.

PRIORITY FOR PROJECTS OFFERING INTENSIVE ENGLISH COURSES

Question: Do you intend to give preference to projects which include intensive English courses in their program of instruction?

Answer: No, we do not intend to prescribe specific methods of instruction for school districts. The current law specifies that a program of bilingual education must include instruction in English and study of English. Regulations clearly state that the purpose of a bilingual education program is to improve English language skills. For reviewing applications under current law, criteria include determination that the instructional materials and techniques are designed to enhance the proficiency of children in the English language and that performance objectives for achieving English proficiency are reasonable with respect to time schedule and are cost effective.

In addition, if by intensive English instruction is meant all-English instruction or a heavy concentration of time spent on English, it is not clear that intensive English instruction is the best method of teaching English to all language minority children. Research has shown that English-learning methods that stress learning through communication seem to work better than those that stress rote memory drills or formal study of grammar. That is, a teacher who integrates the use of English into the instructional program and requires the child to attempt to communicate it back may be more successful than the one who concentrates on memorization and drills, although some of the latter is needed also.

In the immersion studies that are available, it appears that, even when teaching in English, use of the native language to clarify instruction given in English seems to be very helpful. This does not mean concurrent translation but rather clarification when the child clearly cannot understand the point in English.

Research does indicate that the more time teachers spend teaching English, the better English is learned by the students, so we do not intend to encourage projects to concentrate on other subjects.

At present, there is no indication that such a provision is needed, and it would act to affect teaching practice in ways that might not help the children.

EFFECT OF 1984 LEGISLATIVE PROPOSAL ON ELIGIBILITY

Question: Do you intend to change the criteria by which you determine who is eligible to participate in the program?

Answer: Only in one instance will there be a change in district eligibility. Beginning in 1984, districts will be subject to a five year limit on the funding which can be received. After the five years of aid have been received, the district would not be eligible for further aid. As was noted earlier, this provision applies after any multi-year awards approved before 1984 are completed.

There will be no effect on student eligibility. All students who are limited English proficient, including those who usually speak English, will still be fully eligible to participate. There will be priority for districts which propose to serve students whose usual language is not English, but this will not exclude individual students.

EFFECT OF LEGISLATIVE PROPOSAL ON LENGTH OF STUDENT PARTICIPATION

Question: Do you propose to alter the length of time which a student may participate in the program?

Answer: No, the proposal does not alter the length of time which a student may participate in the program. The current law requires that every child who participates in a program assisted by Title VII must have an individual evaluation establishing the need for continued services. Current regulations require applicants seeking funds to assess the language proficiency of the children to be served by the project on an individual basis. Thus the children must be assessed before the project begins and at two years, at minimum.

It should be noted that the current limit on projects is three years and further that there is extra consideration given during review of applications for projects serving children who have never been served under the Act before. This means that a limit of three years would basically have no legal effect -- districts would be applying for a new award at that time anyway and would likely select a different target group for the new project to get the extra points this would provide.

The unfortunate result of applying a limit which might occur would be that some districts might take such a limit as prescriptive of how the program should operate and would "graduate" some children from receiving special services before they are ready. Many children may need a graduated range of services -- from intensive aid at the beginning to follow-up services once they are in the all-English language classroom for a period of time until they are performing at grade level. This system should be designed by the district without Federal interference.

We prefer to concentrate on reviewing the district's procedures for assessing the children and their impact, rather than limiting the length of time a child might participate. Children vary in the speed by which they become proficient; this decision is better left to the district.

STATE AND LOCAL CAPACITY TO PROVIDE NEEDED SERVICES

Question: In view of the recent report from the National Center for Education Statistics entitled "Selected Statistics on the Education of Hispanics," it may be that local demand for bilingual education is negatively correlated with income, wealth, or other measures of taxing and spending capabilities. Therefore, areas most in need of bilingual education are those relatively unable to afford it.

If this is the case, to what extent has the Federal bilingual education program stimulated increased State and local expenditures for bilingual education?

Answer: When the Bilingual Education Act was first funded in 1969, there were few if any state laws or local funds expended for bilingual education programs. Today, there are 30 States which have either mandatory or permissive legislation for bilingual education. The Education Commission of the States reports that for the 1981-82 school year, twenty-two of these States estimate that more than 760,000 students are being served by State programs of bilingual education and that the States are contributing over $86 million per school year for these programs. While the Federal effort in bilingual education cannot be credited completely with this change, the Federal effort together with court decisions and genuine concern at the local level can help to account for this growth.

No information is available regarding the total level of local expenditures for bilingual education.

Question: What evidence do you have that States and local governments could sustain bilingual education programs, given your proposed 32 percent reduction in funding?

Answer: We believe that the primary costs in serving the needs of limited English proficient children are either regular costs of a school district -- teachers and books and classrooms -- for which Federal support is not provided, or for special developmental activities, such as teacher training, materials development and adaptation, implementing changes in instructional approaches, establishing procedures to involve parents, and others which should be able to be accomplished and completed. It is the latter activities that Title VII aid should be focused on.

At present, Federal aid under the Bilingual Education Act results in serving between 4 and 9 percent of the currently estimated target population. The program is focused on improving the educational system rather than serving the children directly.

There are three areas which provide information on the ability of districts to serve limited English proficient children without Title VII aid -- the availability of State and local funds; the availability of other Federal funds which are long-term aid, such as compensatory education; and the effect of participation in Title VII programs.

There is considerably more funding available from other sources for service to limited English proficient children, with State aid providing at least $86 million, serving more than 760,000 students and Chapter 1 aid providing $200 million or more, serving 447,000 students.

Some of these children probably received services from several sources of funding, but there is clearly aid available for direct services beyond that provided by the districts themselves. The aid, furthermore, is from relatively stable sources.

Regarding the extent of capacity already built in districts, the Title VII program itself has reached a significant number of school districts with limited English proficient children. Since the program began, more than 700 school districts have received one or more basic grants under Title VII. These represent an estimated 50 percent of the districts with significant numbers of limited English proficient children and include more than 70 percent of the children, although by no means were all served in the Title VII project.

However, even though many school districts have been reached by Title VII aid, it was not until relatively recently that emphasis was given to building capacity, rather than providing services to children. The extent of capacity in districts is thus not known and we are not considering it in our legislative proposal, which will provide a limit of five years of Federal aid beginning in 1984 for any district, even for those with a history of Title VII participation.

BILINGUAL VOCATIONAL EDUCATION

Question: According to the Department's annual evaluation report, a recently completed study on the status and impact of bilingual vocational training showed that this program can dramatically reduce unemployment rates, increase job earnings, and increase the rate of labor force participation of limited-English speaking adults.

For fiscal year 1983, you are proposing a rescission for this program of abvout one-third of its funds. Your justification explains that assistance under "other Federal programs," whatever they may be, or through the Adult Education Act, which you are proposing to reduce by about a third and place in a vocational and adult education block grant.

As bilingual vocational training programs are effective but cost more than the average job training programs, where do you see incentives for a State to pick up and fund the program on its own?

Answer: Bilingual vocational training is an effective approach for providing both essential occupational skills and job-related English to limited English-speaking adults. Because of the unique needs of this special population, the costs for training in the Federally supported programs are, indeed, more costly on a per participant basis (in fiscal year 1983, $2,256 per student trainee in bilingual vocational training and $4,539 per instructor trainee in bilingual vocational instructor training.

Compared with other types of vocational training, there is less experience with the Federal model. Recognizing increased interest on the part of State vocational education personnel, the Department supported a project to provide workshops in which State personnel learn about recently identified successful practices in bilingual vocational training. At the same time, States have been encouraged to design programs and allocate set-aside funds under the Vocational Education Act to meet State needs in this area.

Responsiveness on the part of the States has been repeatedly noted by their expenditure on vocational education of 9 times or more than the funds provided by the Federal government. It is difficult to measure the amount of these funds that impact on the needs of limited English proficient students, since the State reports to the Federal government do not reflect total expenditures on this target population. Current reports indicate that 170,000 limited English proficient students receive services with Federal vocational education funds and more than 600,000 with Federal adult education funds.

It is anticipated that State Boards for Vocational Education will continue to expend monies on bilingual vocational training especially with the flexibility allowed under the new block grant approach being proposed for the Vocational and Adult Education Acts in 1984.

OTHER PROGRAMS THAT SERVE LIMITED ENGLISH PROFICIENT CHILDREN

Question: Under your proposed budget, some 56,000 fewer students would be served in bilingual education programs in fiscal year 1984 than were served in fiscal year 1983. Your justification explains that Chapter 1 (Education for the Disadvantaged) funds may be used to serve these people. What are the similarities and differences between the bilingual program and other programs that provide general compensatory education, such as Chapter 1?

Answer: There are two main alternative sources of funding for bilingual education services for children in elementary and secondary schools -- Chapter 1 Grants to LEAs and State aid. In addition, there may be significant funding provided under the Chapter 1 Migrant Education program.

In school year 1980-81, about 447,000 limited English proficient children received language assistance services under Chapter 1. The total estimated cost was at least $200 million. According to the Title I District Practices Study (Advanced Technology, Inc., 1982), the types of activities supported under Chapter 1 range from providing English as a second language (ESL) classes to full bilingual education programs. In most cases, districts tend to design the program as a pull-out activity, and thus the preponderance of Chapter 1 support is provided for ESL. In some cases, however, districts used their Chapter 1 funds to supplement the Title VII program, such as providing teacher aides to the bilingual education program.

States provided at least $86 million and reported serving about 760,000 children, although the average per pupil expenditure ranged widely between States, from as low as $20 per child to more than $400 per child. There is not much information available on activities funded by State education agencies. The programs must vary considerably given the range of funding available. In fiscal year 1983, the Part C research and evaluation program plans to fund a research project that will include review of State-funded activities.

Another program which currently may serve significant numbers of limited English proficient children is the Chapter 1 Migrant Education program. A 1981 report by Research Triangle Institute indicated that about 25 percent of the migrant population is limited English proficient. If these children receive Migrant Education services for their language problems in proportion to their participation in the migrant population, about $60 million would have been provided in 1982. The Migrant Student Record Transfer System will provide specific information on the number of children receiving language assistance services under the Chapter 1 Migrant Program beginning in 1983.

BASIC GRANTS DECREASES AND INCREASES BETWEEN 1983 AND 1984

Question: My staff informs me that you were requested to prepare the justifications using information and figures based on current law. You, instead, in your justification and opening statement, use sentences such as "We are requesting $59,724,000, an increase of $1.7 million over the 1983 revised request." What you are actually doing is proposing to decrease basic grants by $26 million through a rescission for 1983, then you would add back $1.7 million for fiscal year 1984.

Why were your justifications not prepared on current law?

Answer: It is standard policy, when justifying funds for a future budget year, to use the revised request as the base year for comparison. The 1983 revised request for bilingual education provides the base against which changes are made for 1984. An attempt to describe the 1984 budget in other terms would not provide a clear understanding of the Administration's policy and funding proposals.

It should be noted that the format for the fiscal year 1984 budget justifications, including the use of the revised request as the base, was submitted to both Committees for review and clearance in advance.

Question: What is the purpose of decreasing basic grants, only to propose adding back a small portion a few months later?

Answer: In 1983, a rescission is proposed for bilingual education from $138,057,000 to $94,534,000, decreasing the basic grants, training, support services, and bilingual vocational education activities. In 1984, while holding overall funding level some redistribution of funds is proposed that reduces training activities by $3.1 million and redistributes the funds to basic grants (+$1.7 million) and State educational agency assistance (+$1.4 million). The rationale for the redistibutions is that in 1984 we have proposed new legislation which will focus the basic grants program more strongly on capacity-building and which will provide for a broadened range of instructional approaches. The new legislation will also provide for additional functions for State educational agencies and will change the formula to assist medium and small States. These new improvements are one reason why we are proposing the redistributions.

A second reason is that the need for the level of funding for training programs is not as great as in prior years. Institutional support has been given to many institutions over the past eight years, which should have built capacity in higher education to offer programs to train bilingual education teachers. Several programs currently funded are duplicative or less essential, and there is recent research information which indicates that the emphasis on training new teachers could be lessened in favor of efforts to upgrade existing teachers and to encourage the use of skills once gained. Also training is a major priority for use of funds by districts with their basic grants, and this should be strengthened with the greater focus on capacity-building.

NEED FOR BILINGUAL EDUCATION TEACHERS

Question: Two years ago, the Department testified that there existed a shortage of trained bilingual teachers. Your justification explains the proposed rescission this year for bilingual training funding as reflecting the fact that "there may be little or no need for additional new teachers." Has the number of bilingual teachers increased in two years to a point where the number is adequate to meet the growing need?

Answer: There is still a need for qualified bilingual teachers, although it appears that it is becoming more important to upgrade the qualifications of existing teachers than to prepare many new teachers. In some local areas there still may be a need for new teachers, as well.

Regarding the number of teachers trained or needing training, a recent study by InterAmerica Research Associates (Teacher Language Skills Survey, 1983) indicates that since 1976, when the previous teacher language skills survey was done, the number of teachers who were qualified to provide instruction to limited English proficient students increased by more than two-thirds by 1981. The study further found that there were 158,000 teachers in 1981 who were teaching either bilingual education (55,000) or English as a second language (ESL) (103,000), although not all had academic credentials in the field. There were also a significant number of teachers who were qualified to teach but who were not doing so (37,000 teachers who were qualified to teach in a language other than English and 40,000 ESL teachers).

The need for bilingual education teachers has been estimated by several studies to range from a total of 43,500 to 99,500. It appears that we have exceeded either total, if approaches that do not require instruction in a non-English language are permitted. We are close to it for bilingual education instruction alone (55,000 teachers teaching bilingual education and 37,000 more who have qualifications but are not teaching). At this time it appears that training should concentrate on filling spot area needs for new teachers and on upgrading the cadre of teachers who are teaching but lack academic credentials, through inservice training and formal academic preparation.

It should be noted that our previous estimates of need were based on data from the 1976 Teacher Language Skills Survey. By 1981, there were major increases in the numbers of teachers who had become academically qualified and/or were teaching.

Question: How do you reconcile these different conclusions? Is there a need for more bilingual teachers in the future or not, particularly in light of the fact that your studies show that the overall number of language minority school-age children will increase by forty percent by the year 2000.

Answer: We remain strongly committed to training, with 23 percent of the total funds requested in 1984 being designated specifically for training. Also, considerable training occurs within the basic grants to school districts as well.

However, in addition to the increased numbers of teachers available in the field, there has been development of capacity in institutions of higher education to train and upgrade teachers. We have provided institutional development aid for 198 institutions of higher education since 1976. About 37 percent of the fellowship program's participants became university professors who are now bilingual teacher trainers in turn. Considerable capacity has been built in institutions of higher education to help local districts obtain new teachers or inservice training as needed. Given the larger number of teachers, the increased capacity in higher education institutions, and considerable direct training aid still remaining in the bilingual education program, we believe that present resources are satisfactory.

Finally, information on teachers is a continuing concern of the bilingual education research program. If there develops a significant shortage of new teachers in the future, this will be identified for Administration and Congressional consideration.

RELIABILITY OF RESEARCH AND EVALUATION STUDIES

Question: How reliable and accurate on these matters are the consultant studies which you commission?

Answer: Research and evaluation studies that provide information in sensitive areas of Federal policy often contain results that are controversial and can have major effect on policies and funding levels. The methodology and conclusions of the studies are scrutinized very carefully by many different individuals and often flaws and problems are found. In some cases, these act to disallow the results; in others mainly to qualify them.

Research on bilingual education has often been controversial, due to stubborn methodological problems and contending interest groups. Few, if any, studies have escaped criticism, but over time, major efforts have produced cumulative findings with significant implications for policy.

For example, the earlier Teacher Language Skills Survey performed in 1976 showed a considerable need for teachers. Based on this, additional Federal funds were provided for teacher training, and a program was established to encourage development of institutional capacity to offer bilingual teacher training programs. Because of this Federal action, and probably also because of State and local interest and initiative, there has been a major increase in the number of teachers teaching and/or with academic qualifications for bilingual education. This was reported in the latest Teacher Language Skills Survey performed in 1981. While we are still reviewing the results, which became available recently, it appears that Federal aid should be concentrated more on upgrading existing teachers. The information provided by this survey, when reviewed along with information from other studies and from contacts with State and local personnel, will assist us in determining the best use of limited funds.

Question: How many fewer teachers will be trained with the funds requested in your budget?

Answer: Under the 1983 rescission proposal, 1,815 fewer bilingual education teachers would be trained. In 1984, no decreases are projected for teacher training, but 230 fewer fellowships would be offered. All current fellowship recipients would be funded, but no new fellowships would be awarded.

PHASE-OUT FOR BILINGUAL EDUCATION PROGRAMS

Question: As rationale for the proposed rescission of $43.5 million, or about 32 percent, for fiscal year 1983 and reduced funding levels for fiscal year 1984, your justification explains that 22 States already provide their own funding for bilingual programs and that Chapter 1 funds may be used for this purpose.

With your budget proposal, are you simply reducing this program, or are you beginning its phase out?

Answer: The budget proposal for bilingual education reduces funding for the program; but, except for a few smaller programs within the total, this does not represent a phase out of the program. We are phasing out or terminating small programs of lower priority, which are duplicative or should be supported by other sources, such as the desegregation program, the schools of education program, the fellowships, and the materials development centers, which are being consolidated into multi-purpose centers. This streamlining will promote administrative efficiency and will direct funding to higher priority areas.

The main activities -- basic grants to school districts, general training activities, and support services such as State educational agency assistance and the clearinghouse -- are being continued as important Federal activities, and substantial funding is requested for their support.

BILINGUAL EDUCATION BLOCK GRANT

Question: Why was it that Secretary Bell stepped in two years ago to keep this particular program out of the block grant?

Answer: This program was not included in the block grant because of the nature of its activities and the concentration of its target population. Title VII is a discretionary program which concentrates on building capacity in school districts, States, and institutions of higher education to serve the needs of limited English proficient children. Rather than include it in the block grant, we have proposed legislative changes to strengthen the capacity-building aspect of the program.

Also, while all States have some children who are limited English proficient, there is considerable concentration of these children in a few States -- California, Texas, New York, New Mexico, Hawaii, and Arizona account for more than 64 percent of the total. The block grant formula would not have permitted the concentration of funds to assist this population.

RATIONALE FOR REDUCTIONS IN FUNDING

Question: Why are you proposing to reduce the program by 32 percent when your own projections show language-minority school-aged children increasing by 40 percent by the year 2000?

Answer: The rescission is based primarily on the need to reduce overall Federal Government spending. The Administration surveyed the many programs administered by the Department of Education and, in general, attempted to maintain services in the major programs serving disadvantaged and handicapped children. These also serve limited English proficient children, with Chapter 1 providing 447,000 children with instruction related to their language deficiencies in 1981.

The Bilingual Education program supports important activities which improve the capacity of local districts and States to serve limited English proficient children. Its primary effect is not on the number of children served but the number of districts made more capable of meeting the needs of the children without continued Federal aid.

It should be noted that the projections in that study did not take into account the effects of current bilingual education programs -- that is, children who participated in a program and developed English competency were not counted. And a very large number of the children are being served in some program -- Federal (primarily Chapter 1 and Bilingual Education), State, or local. As these children who are learning English grow up and become parents, they will not contribute to the expansion of the limited English proficient population. The study also did not take into account this intergenerational effect.

To the extent that we adequately prepare children from language minority backgrounds to succeed in school, their children will not need special services but will be able to succeed as well. To the extent that districts have in place teachers, methods, and materials to provide language assistance, expansion to serve new children will require less outside aid.

STATE AND LOCAL ASSUMPTION OF FUNDING FOR BILINGUAL EDUCATION

Question: Do you believe the program would be more successful were States and local governments to pick up funding -- at least for the basic grants program?

Answer: While States and local districts have primary responsibility for education of limited English proficient children, we have requested funds to provide help in improving their capacity to serve the children. While Federal bilingual education funds do not serve many children (between 4 and 9 percent of the total estimated population), they do act to improve the quality of State and local activities. If our 1984 legislative proposal is passed, the program will focus strongly on building capacity for school districts to meet the children's needs without continued, long-term Federal aid.

Question: Do you believe the States and local governments will be able to muster the resources necessary in order to accommodate the increasing portion of language-minority children among our school-age population?

Answer: We have no estimates of future fiscal capacity of States and local governments. We know that there is significant State aid for services to limited English proficient children and that there appears to be considerable commitment by States and school districts to meeting their needs. As they develop capacity to serve the children, in the form of trained, experienced teachers, suitable materials, techniques and tests to identify children who are limited English proficient and determine the best instructional approach for them, and others, they will need less Federal help to accommodate more children.

Also, to the extent that we adequately prepare limited English proficient children now, the less the problem will be in the future, since their children will not add to the limited English proficient population.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

CHILDREN SERVED UNDER BILINGUAL EDUCATION

Senator Proxmire: Page 4 of your prepared testimony indicates that if the rescission you are proposing is approved you will have enough funding to aid 415 school districts serving 127,500 children. Your 1984 budget would allow you to help 131,500 children.

On the other hand your budget justifications indicate that there are 3.6 million children in this country with limited English proficiency. Does this mean that Federal funds are assisting about 4 percent of your target population -- about one out of twenty?

Answer: The Bilingual Education program is serving only about 4 to 9 percent of the limited English proficient population, depending on the definition used. The program is not designed or funded to be a program that reaches a high proportion of the children needing aid. It is a discretionary grant program which awards funds based on competition; no district is guaranteed aid under the program. The responsibility for education of limited English proficient children basically resides with the States and school districts. The Bilingual Education program provides aid to build the capacity of school districts to serve the children.

It should be noted that there are significant sources of long-term aid for services -- the States are providing at least $86 million in aid to school districts and Chapter 1 provides an estimated $200 million in aid. In addition, local school districts can provide at least some of the support needed through regular educational costs, particularly if special funds are used for capacity-building activities such as teacher training, curriculum development, and development of student assessment techniques.

Senator Proxmire: How do you decide which children to help?

Answer: The law (20 USC 3231(b)(3)(F)(i)) and the regulations, (34CFR 501.45(a)), require a grantee to serve the children most in need of assistance. An applicant must assess the language needs of its students and include in its application a justification for concluding that the schools selected for the project enroll the children most in need of assistance. Grants are awarded to implement statutory, 20 USC 3231(b)(4), and regulatory, 34CFR 501.31(b), funding priorities that address the need for assistance. Of prime consideration in implementing the funding priorities is the extent to which an applicant is proposing to assist children of limited English proficiency who have been historically underserved by programs of bilingual education. The adequacy of the applicant's rationale is then evaluated under the selection criteria, 34 CFR 501.30(b).

LONG-TERM BILINGUAL EDUCATION AID TO DISTRICTS

Senator Proxmire: Your justification indicates that 105 school districts -- about 15 percent of the total number of districts you have funded since 1969 -- have received ten or more years of aid. How can you justify continuing to give this aid for 10 years to selected school districts when so many others with limited English proficient children have received no assistance whatsoever?

Answer: Since 1969, the Office of Bilingual Education and Minority Languages Affairs has funded more than 700 school districts to operate programs of bilingual education that meet criteria established in the Bilingual Education Act. A number of districts have indeed received aid for 10 or more years. Because the program is a discretionary grant program, awards are made on a competitive basis, using published review and selection criteria. Panels of non-Federal reviewers are used to assess quality of the proposals. Once a proposal is judged to be of minimally acceptable quality, additional priority is given to those which meet a number of criteria included in the Act. The final ranked list is submitted to the procurement office and as many projects as there are funds for are given awards. It is not possible to deny a district funding because it has participated in the program before.

While a number of school districts have received funds for long periods of time, they have not been serving the same children during this period. Typically they obtain a three-year project to serve a particular language group at specific grade levels in specific schools, then apply for a new three-year project with different characteristics. Some districts have large populations of limited English proficient children and may need longer to assist them.

However, because this pattern does not indicate that there is much development of capacity in some districts to offer the services without long-term Federal aid and because of the need to assist districts which have not received help, we have submitted to Congress a legislative proposal which provides for a stronger emphasis on capacity-building. It includes revision in the purpose of the Bilingual Education Act, changes in criteria for selection of applications, and a five-year limit on aid beginning in 1984 for new projects. We expect to make larger individual awards to districts which will review their total capacity and develop comprehensive programs, rather than the currently piecemeal efforts.

The changes in focus and limit on funding will provide incentive for districts to develop capacity for when Federal assistance is no longer available, and will ensure that new districts will be able to participate in this program.

INCREASING NUMBERS OF LIMITED ENGLISH PROFICIENT CHILDREN

Senator Proxmire: According to the Department's own estimates, between now and the end of the century, the overall school age population will grow by 16 percent. In that same period, the number of limited English proficient students is projected to increase by more than 33 percent. How can Congress responsibly cut bilingual aid when your own projections indicate increased growth in both the number and proportion of students who will need special language instruction?

Answer: The bilingual education program does not presently serve a large proportion of limited English proficient children -- current estimates are that between 4 and 9 percent of the population receive services in the projects. Its primary function is to provide "seed" money to help districts start up or improve their services to limited English proficient children.

The best use of special Federal funds for bilingual education is to assist the States and school districts in building capacity -- not in attempting to serve many more children. The program accomplishes this through grants to school districts and States; through support of training for teachers, administrators, and parents; and through information dissemination and research. It would be very costly for the Federal Government to provide all school districts aid to serve all their limited English proficient children. Nor is this an appropriate role, since the education of these children is fundamentally a local and State responsibility.

Further, once a teacher is trained or materials developed, the need for continued aid should decrease. Concentrating on a capacity-building role enables us to aid new districts which have not competed successfully for funding before or which lack the experience and capacity to address new problems.

It should be noted that the estimates in the projection study did not take into account the effects of current bilingual education programs -- that is, children who participated in a program and developed English competency would still be included in the estimates. And a very large number of the children are being served in some program -- Federal (primarily Chapter 1, Bilingual Education, Migrant Education, and Vocational Education), State, or local. Also the study did not take into account intergenerational effects. As these children who are learning English grow up and become parents, they will not contribute to the expansion of the limited English proficient population.

To the extent that we adequately prepare children from language minority backgrounds to succeed in school, their children will not need special services but will be able to succeed as well. To the extent that districts have in place teachers, methods, and materials to provide language assistance, expansion to serve new children will require less outside aid.

IMPACT OF RESCISSION ON CURRENT AWARDS

Senator Proxmire: What impact would the 32 percent proposed rescission have on those programs presently awaiting final approval from the Department?

Answer: There would be little impact on continuation awards for projects currently in operation. No effect on such awards for basic or training grants would occur. The only continuation awards which would not be made would be the desegregation grants, which would be terminated in 1983 rather than phased out by 1984, and the three remaining materials development and evaluation, dissemination, and assessment centers, which would overlap with the new comprehensive centers being started in 1983.

Under our regular funding cycle, the Office of Bilingual Education and Minority Languages Affairs normally transmits to the Administrative Management and Procurement Service nominations for continuation awards by February or March and for new awards by April or May. Continuation awards are made early. Negotiations by the Procurement Service for new awards proceed during the early summer, and awards are generally made from July through September. The application process will not be disrupted by the rescission.

In general the effect of the rescission will be to limit the number of new awards that can be made for basic grants, degree-oriented training grants to institutions of higher education, and training institutes.

BILINGUAL VOCATIONAL EDUCATION

Senator Proxmire: Funds requested for bilingual vocational education will serve approximately 695 students in fiscal 1984 and assist 130 instructors. Just how essential is this program, given the fact that primary funding is available under other Federal programs or from State or local sources?

Answer: Because certain populations have unique educational needs and have not had access to all vocational programs, the Vocational Education Act contains a variety of program and funding mechanisms to address these needs and to alleviate the imbalance of program enrollments. Under State Grants for Vocational Education, the Basic Grants and Program Improvement and Supportive Services programs require that States must spend at least 20 percent to pay for half of the excess cost of serving disadvantaged and limited English speaking students. In addition to these set-asides, funds for limited English proficient students are also provided under State formula grants for Special Programs for the Disadvantaged and under the discretionary grant program, Bilingual Vocational Training.

One of the most acute problems faced by State Boards for Vocational Education is the increasing number of refugees and migrants from Central and South America, Korea, Vietnam, etc. Many of these adults cannot profit from regular vocational education programs because of their limited English proficiency. Vocational education programs are available under the Vocational Education Act, the Jobs Training Bill, and from State and local sources.

However, these vocational programs are often not designed to serve the specific needs of the limited English speaking adults. When they are admitted to programs without special help, the dropout rate is very high (40 percent to 60 percent). The funds requested for Bilingual Vocational Training would permit the continuation into 1984 of about 9 projects which would serve as models for these other programs to emulate. Their successful placement rates of 85 percent or higher show methods of training limited English proficient students which can be replicated in other parts of the country at lower cost. In addition, the modest request for funds would also serve to alleviate, in part, the shortage of instructors who must possess both job knowledge and dual language capability.

Questions Submitted by Senator Lawton Chiles

1984 LEGISLATIVE PROPOSAL FOR STATE EDUCATIONAL AGENCY ASSISTANCE

Senator Chiles: According to the Education Department's fiscal year 1984 budget justifications, the Department is proposing legislation which, among other things, would "strengthen the role of State educational agencies in improving and monitoring bilingual education programs." I am interested in hearing just how exactly you propose to do this.

Answer: The legislative proposal revises the current formula in the Act to provide a minumum amount of funds to States, thus ensuring that small and medium States can participate effectively; It also broadens the range of eligible activities by involving the States in review and implementation of local programs and in efforts to build State-wide capacity for serving limited English proficient children.

The State educational agency program is currently based on a formula severely limiting the size of awards to smaller States. The new legislative proposal revises the formula -- providing for a minimum award of $25,000 to States which can show need for funds, and revising the upward limit to 10 percent of the amount awarded in the State the year before to basic grants. It also expands the list of eligible activities from coordination to include technical assistance, training, program reviews and evaluation, and others.

Currently, over 30 States have laws that require or permit some sort of instructional assistance for limited English proficient children. State directors of bilingual education have expressed interest in expanding their role to improve local activities. By building on this State commitment and interest and by enhancing the States' role, significant gains are possible in developing local capacity to serve limited English proficient children. Administration of Federal programs can be enhanced by using State expertise to assist in reviewing project implementation. Finally, the program will assist the States to coordinate the variety of programs that serve limited English proficient children, including Bilingual Education Act programs, Chapter 1 (ECIA) programs, and State programs.

EFFECT OF 1983 RESCISSION ON AWARDS TO STATE EDUCATIONAL AGENCIES

Senator Chiles: I am also concerned that in the meantime the Office of Bilingual Education and Minority Languages Affairs (OBEMLA) has been taking action that is contrary to your proposal. As you know, under the current law, each State is authorized an amount equivalent to five percent of the grant awards in a State for the purpose of statewide coordination and technical assistance. My State has pending its continuation grant, and is requesting $102,110, yet OBEMLA has told Florida that the State award must be reduced to $85,000 -- based on the rescission which the Administration has proposed but which Congress has not approved. I understand that 20 of the larger States are similarly affected.

In Florida, the number of students in need of bilingual education and English as a second language (ESL) has dramatically increased, primarily as a result of the continuing influx of Cuban and Haitian children and other refugees. These funds serve an important function as envisioned in the authorizing legislation. While the amount of money we are talking about is not large, the proposed cut would have an adverse impact on the ability of the State to fulfill its responsibility under the Bilingual Education Act.

As Congress has not approved a rescission of bilingual funds, under what authority is OBEMLA negotiating lower awards prior to Congressional action?

Answer: The Congressional Budget and Impoundment Act of 1974 authorized the President to send a special message to Congress proposing rescissions of budget authority whenever he determines that all or part of the budget authority is not required or that it should be rescinded for fiscal policy or other reasons. During the 45-day period within which Congress must act or the rescission is not effected, the funds proposed for rescission are withheld from obligation.

The Office of Management and Budget has not apportioned to the Department of Education $670,000 of the funds which would be used for the State educational agency program if the rescission is not approved.

During this 45-day period the Department has continued to process applications to ensure that whatever decision is made by Congress the agency will be able to implement it. For the State educational agency program, initial negotiations have proceeded at the rescission level ($3,300,000), although plans have been made to increase the level to $3,970,000 (the maximum available for States given the current formula in the law), if the rescission is not accepted. Since the decision on the rescission must be made by April 13 and since awards to States regularly start in July, there will be no delay in awards because of the rescission process.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BILINGUAL EDUCATION RESOURCE CENTERS

Senator Domenici: Is there any evidence that the present network of Centers is not providing adequate services?

Answer: The current organization of the centers system requires grantees to be provided related services from too many sources. In 1982, there were 27 different centers. This is many more than any other Education program and is too many for effective Federal administration and control. Consolidating services in multi-purpose centers will allow grantees to continue to receive technical assistance and training but will reduce duplication and redundant levels of support.

There is evaluation evidence that the materials centers were not effective. A study by Development Associates, Inc., found that materials were not finding their way into classrooms because they were too difficult for use by all the children or did not meet State or local curriculum requirements. A supporting finding can be found in an early study by Rand Corporation which assessed how innovations are sustained in school districts. It found that materials developed or adapted by local teachers had a much better usage rate than those developed and imposed from outside.

Another point which should be made with respect to materials development is that, in the early years of the program, few or no materials were available, even to serve as models for local development. The situation has changed since then. Some of the materials from the centers have been useful, and districts have gained in experience. At this time, the day-to-day need for classroom materials which teachers can readily use is best addressed at the local level. Under the new center system, State and local education agencies will be encouraged to develop their own materials with the help of expert consultants located in the multi-purpose resource centers.

Regarding the evaluation, dissemination, and assessment centers, while there has been no formal study, it appears that they have not had great impact on improving the quality of project evaluations. A recent meta-analysis study by the National Center for Bilingual Research (1983) attempted to review local evaluations performed for basic grant projects in school districts. It found that only 15 percent of evaluation reports from basic grant projects completed since 1975 were methodologically sound enough for inclusion in the study (162 out of 1,052 reports). There appears to be a great need for assistance in evaluation which has not been affected by the evaluation centers.

No evaluation of services has been made for the training centers — bilingual education service centers. Their functions will be continued by the new resource centers. Since a new competition for the service centers would have been needed in 1983 anyway, the new system will not disrupt the training services which have been provided.

In general, Federal direction and control of services provided by the centers has proved cumbersome in terms of ability to target centers' attention to specific federal priorities, e.g. parent training, capacity building, and coordination between centers and States. This is both because of the multiplicity of centers and because they have been operated under grants rather than contracts.

Our intent is to improve the delivery of services to school districts and States and to maximize the efforts of the Department to improve the quality of these services. Instead of supporting multiple semi-autonomous units, each addressing a different set of needs, we believe that fewer administrative units will yield greater benefits, both in responsiveness to needs and in simplicity of administration.

AUTHORIZATION FOR NEW RESOURCE CENTERS

Senator Domenici: Under what authorization do you justify mixing funds authorized by Congress to fund "Super Centers?"

Answer: The $10 million requested for the new resource centers was requested under the Training activity, primarily because it had supported the largest program of centers. However, in the budget justification, the authorities cited for the resource centers are those used for all the current centers, since they will perform more than training functions. The authority for the resource centers program is Sections 721, 723, and 742 of the Bilingual Education Act -- the statutory authorities for the bilingual education service centers, materials development centers, and evaluation, dissemination, and assessment centers. No funds were requested under the Support Services activity for centers.

Further, it should be noted that the proposal to start consolidated resource centers was first included in the 1983 President's Budget. No objection was raised during Conference action. Because 1983 is the last year for most of the current centers' grants, it is the best time for consolidation efforts that will improve services to the field and facilitate better Federal administration.

RATIONALE FOR NEW RESOURCE CENTERS

Senator Domenici: What needs exist in the field which justify the creation of "Super Centers?"

Answer: School districts continue to need aid with inservice training, improvement of evaluations, assistance with curriculum and materials development, and general technical assistance and sharing of information on exemplary instructional approaches and the latest research findings. We believe these services can be best provided in a way that does not require districts to search through a variety of centers in different locations and that permits greater Federal control to ensure center responsiveness to Federal, State, and local concerns.

STAFFING REQUIREMENTS OF RESOURCE CENTERS

Senator Domenici: How do you expect a "Super Center" to be staffed with experts in multi-language curriculum development, evaluation, teacher training, and dissemination?

Answer: There will be one entity coordinating the provision of services, so that accountability and ease of contact for the districts will be maintained. The grantee is likely to be a university or private organization. However, while many universities and private organizations do have broad expertise within their faculties or staffs, it is likely that outside consultants in other universities or private firms or from experienced local school districts will be used as specialists, when needed.

Also, there is no reason why several current centers could not pool their resources and apply jointly for a resource center contract, with one organization as the prime sponsor.

COVERAGE OF RESOURCE CENTERS

Senator Domenici: How is the proposed configuration of "Super Centers" equitable regionally and ethnically?

Answer: The proposed configuration of centers proposes an equitable distribution of services to all regions of the United States and Outlying Areas such as Puerto Rico, the Pacific Islands, and the Virgin Islands. All ethnolinguistic populations within the service region will be served.

The new service areas have been somewhat readjusted to equalize the service areas' size and to be more responsive to the needs of special linguistic groups such as the many language groups represented among the Native American population and other unique language groups.

OPPORTUNITY FOR LOCAL REVIEW OF RESOURCE CENTER PROPOSAL

Senator Domenici: Have school district personnel had the opportunity to comment on this proposed "Super Centers" concept?

Answer: The centers have been discussed with State educational agency personnel during sessions with State directors of bilingual education. They were included in the 1983 President's Budget, and have been broadly discussed during the ensuing year.

FEDERAL MONITORING OF RESOURCE CENTERS

Senator Domenici: How do you plan to monitor the activities of these "Super Centers" to avoid duplication of effort?

Answer: The centers will be operated under contract rather than grant awards, which will ensure closer control by Federal project officers and will facilitate more rapid response to changes in policy and local needs. Since the centers will not be serving overlapping populations, there will be no duplication of services. Since there will be substantially fewer centers than before, Federal officers and the centers themselves will be much better able to capilitalize on special abilities within the center network and coordinate their use throughout the nation.

GEOGRAPHIC DISTRIBUTION OF CENTERS

Senator Domenici: What is the geographical configuration of these Centers and what was the rationale used in arriving at this decision?

Answer: The program will geographically distribute the centers based on factors such as location of Title VII grants and number of participating students in the region, as well as the competitive quality of proposals. All States and Outlying Areas will be covered by a center. Only one center will provide services that overlap geographically with other centers -- the one focused on Native American concerns. All others will cover discrete regions.

The rationale for any service area changes is primarily to equalize the size of the service areas to reduce travel and other service delivery costs, as well as the workload of an individual center with respect to the number of Federally funded projects.

SERVICE TO SPECIFIC ETHNIC OR LANGUAGE GROUPS

Senator Domenici: What prior commitments were or have been made as to the funding of specific ethnic or language groups and what was the rationale for this?

Answer: The rationale for considering the funding of centers to serve specific service populations or language groups was based on a number of factors that took into account the unique geography of service clientele, the distribution of the populations, and the multi-language nature of some of these service populations. Additional consideration was given to State education agency requests for support to meet these populations' needs and to begin to build the capacity at the State level for providing services to continue to meet those needs in the future. The Department made a special effort to respond to State and local representatives, as well to consult with community leaders and parents to ensure that an equitable delivery of services to all populations and language groups be maintained.

NEED TO MAKE EARLIER GRANT AWARDS TO SCHOOL DISTRICTS

Senator Domenici: Every year, without fail, we hear from school districts with regard to the late notification they receive as to whether or not their bilingual program will be funded. As you know, these late announcements place a heavy burden on the school districts which must have time to plan, hire staff, integrate the program into their curriculum, etc.

With the school year beginning for many as early as August, is there some way to speed up the process so that earlier announcements can be made, certainly prior to September 30, thus giving school districts time to integrate the program or discontinue it, as the case may be, in a more orderly fashion?

Answer: Continuation awards are usually made prior to the end of the school year. For fiscal year 1983, continuation applications were received between December and March, and all continuation awards will be made before the end of May, 1983. Applications for new awards are received during the winter, and the awards are made during the early part of the summer. We anticipate that these awards will be made prior to the beginning of the 1983-84 school year for most districts.

QUESTION SUBMITTED BY SENATOR LAWTON CHILES

BILINGUAL EDUCATION

Senator Chiles: Have you maintained a line item in the NIE budget for the Clearinghouse for Bilingual Education? For the Bilingual Education Research Center? If not, why not, and what plans have you got for maintaining these activities?

Answer: In our fiscal year 1984 budget request, we have proposed continued support at a funding level of $1.5 million for the activities of the Bilingual Education Research Center.

With regard to the Clearinghouse for Bilingual Education, I understand that my predecessor, in reviewing priorities for the fiscal year 1983 NIE budget, madde a decision to terminate further NIE support for this project which had been jointly funded by the Office of Bilingual Education and Minority Language Affairs (OBEMLA). The Department is currently reviewing the level and sources of support for the Clearinghouse necessary to carry out our legal mandate.

SUBCOMMITTEE RECESS

Senator PROXMIRE. The subcommittee will stand in recess until 8:30 tomorrow morning to receive testimony regarding related agencies.

[Whereupon, at 11:50 a.m., Monday, March 21, the subcommittee was recessed, to reconvene at 8:30 a.m., Tuesday, March 22.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 22, 1983

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, D.C.

The subcommittee met at 8:35 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Proxmire.

NATIONAL MEDIATION BOARD

STATEMENT OF ROBERT O. HARRIS, CHAIRMAN

ACCOMPANIED BY WALTER C. WALLACE, BOARD MEMBER

OPENING STATEMENT

Senator Weicker. Today, we will continue our fiscal year 1984 budget hearings. We have several related agencies: the National Mediation Board; Federal Mediation and Conciliation Service; National Labor Relations Board; Occupational Safety and Health Review Commission; Federal Mine Safety and Health Review Commission; and the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research.

We will begin our hearings with the National Mediation Board as they are involved with negotiations with Eastern Airlines this morning. We have the Chairman of the National Mediation Board with us.

Mr. Harris, you may begin.

Mr. Harris. Thank you, Mr. Chairman, Senator Proxmire.

The National Mediation Board is a small agency involved in settling labor disputes in the railroad and airline industries. The budget request this year is for $5,758,000 which is $290,000 larger than last year.

Of this amount, roughly $3,300,000 is involved in mediation and representation activities; another $584,000 is involved in payment for emergency boards, and the $1,850,000 is involved in settlement of grievances in the railroad industry.

I think that summarizes our request. I would be happy to answer any questions you may have.

STATUS OF NEGOTIATIONS ON COMMUTER AUTHORITIES

Senator WEICKER. A parochial question. What is the status of negotiations on the three commuter authorities that took over Conrail's commuter service on January 1, 1983?

Mr. HARRIS. After the appointment of the emergency board under the Rail Passenger Service Act, the National Mediation Board has not been directly involved in those negotiations. The mediation activity that has occurred in two of the situations has involved the chairman of the Presidential Emergency Board in New York, Arvid Anderson who is the director of collective bargaining for the City of New York.

They met the day before yesterday until about 4 o'clock in the morning, and they are scheduled to start meeting at 10 o'clock this morning.

I don't know whether you saw the Times this morning, but Mr. Ravitch has made a substantial offer. That is a change from his previous position involving the guarantee of jobs for members of the train crew on Metro North.

I think there is reason to believe that at least at this point, there is a possibility of progress being made on that negotiation.

In New Jersey, Charles Serraino who is a retired labor relations executive, very well known in the State, has been doing the mediation. He has been involved and is meeting with one of the parties each day and will have a joint meeting tomorrow.

I think Jersey Transit is basically dependent on what happens on Metro North since it is virtually the same dispute involving the same union. And if Metro North settles, there is hope that Jersey Transit will settle.

In Philadelphia, the situation is a lot more obscure. There is a State court judge involved in the case who is attempting to mediate. The parties are on very bad terms, and they are really not desirous of having outside assistance. The court is in there on its own motion, possibly with the acceptance of SEPTA, but not the unions. And the outlook there is much dimmer.

STOPPAGE IN REFEREE SERVICES

Senator WEICKER. You had a 4-month stoppage in referee services in fiscal year 1982. Do you anticipate stoppage during the present fiscal year 1983?

Mr. HARRIS. Yes; the $1,850,000 is the same as last year. We have raised the salary of the referees paid by the Government by about 10 percent. And therefore, our funds will expire probably a little earlier. I would say that probably 4 months of the year will not be funded at this time.

The administration has suggested that additional funds be utilized without increasing the budget by not paying for the offices that the members of the NRAB are presently provided. Members of the NRAB are representatives of management and labor. For the past 50 years, we have been providing them with offices for their use when they are working on these cases.

The administration feels that the money could be better utilized to pay referee salaries and have the private parties pay their own offices. That is in the budget.

Senator WEICKER. What do the private parties say?

Mr. HARRIS. Frankly, I think that the railroad carriers don't care that much, and the unions feel rather strongly that they should continue to keep their offices.

Senator WEICKER. Are these persons that use the offices paid by Federal funds?

Mr. HARRIS. No; their services are paid either by the railroads or by the unions. They are not paid by the Government.

Senator WEICKER. Let's assume the fact that we did not concur in such a transfer. What additional moneys would be necessary?

Mr. HARRIS. My guess would be probably something in the neighborhood of $1.8 million. So I would say something probably between $800,000 and $900,000 additional would be needed to fund it fully this year.

Senator WEICKER. Would you please give the committee a precise response for the record on that point?

Mr. HARRIS. Absolutely.

[The information follows:]

It is our opinion that an additional amount of $810,000 would be needed to fully fund the fiscal year.

CUTTING RENTAL COSTS

Senator WEICKER. I have no further questions.

Senator Proxmire?

Senator PROXMIRE. Mr. Harris, good to see you again.

Mr. HARRIS. Good to see you, sir.

Senator PROXMIRE. Mr. Harris has a very fine academic background. He is a Yaley. He also attended Harvard Business School and Georgetown. He has it all.

RENTAL COSTS

Mr. Harris, I am very impressed by the fact that the National Mediation Board is one of the few agencies that is cutting its rental costs. I think you are projecting a reduction of $22,000 in rental costs at a time when other Government agencies' rental costs are going up. How did you do that?

Mr. HARRIS. Well, on the basis of what I was discussing with the chairman, in order to do that, we will be cutting out space that is presently being used by the partisan members of the Railroad Adjustment Board.

Unfortunately, our rental costs in Washington are going up substantially, and the cost of the rental space in Chicago will be going up also if we don't reduce the space. And the way we are reducing the space is by eliminating office space that is being utilized by non-Federal people.

Senator PROXMIRE. I had hoped you had cut rental costs by shopping around. My wife is in business. She told me there is an over supply of office space in this town, and you can make deals right and left to cut costs. I thought maybe you had done that.

Mr. HARRIS. Unfortunately, we are totally dependent on GSA. We would like to do that, but GSA determines where we are going to be and how much we are going to pay.

COMPUTER SYSTEMS

Senator PROXMIRE. You are requesting $210,000 for computer systems. What happens if we hold that appropriation at the current level of $140,000?

Mr. HARRIS. I think what will happen is some of our newer programs will not be utilized. What we have been attempting to do is to put a system on line that will retrieve all of the information on our representation cases and our collective bargaining agreements.

If we would hold back on the collective bargaining agreements, and it would mean we would be just using regular research as in the past.

BACKLOG IN CASES

Senator PROXMIRE. Would your backlog get worse than it is currently.

Mr. HARRIS. I don't think the backlog would get worse; we would be able to supply information less quickly and possibly less accurately both to our mediators and to the public.

RESEARCH

Senator PROXMIRE. How much do you plan to spend on research next year, how will the funds be used and what is your current research budget?

Mr. HARRIS. We really don't have a research budget. Aside from our computer activities, we have one individual who is involved in research. So it is a minimal amount.

BACKLOG IN UNRESOLVED DISPUTES

Senator PROXMIRE. Why is there such a backlog of unresolved disputes pending before the Public Law Boards? By the end of fiscal 1982, the backlog was 16,057 cases. That figure is estimated to drop by 2,000 in the current fiscal year and then by 4,000 in 1984.

You still would have a backlog of over 10,000 cases in 1984. Why is that?

Mr. HARRIS. Well, we don't have any control over the work on those cases, the backlog, either in Chicago or other public law boards. Those cases are filed by the unions. They are handled by the unions and railroad management. All we do is pay for the referees, the arbitrators, that are hired by the parties to solve the disputes.

We control nothing except the payment of the referees' salaries and the travel expenses. We can't determine whether they work, how long they work, or the speed at which they work.

Senator PROXMIRE. So you have nothing to do with the fact that the backlog is going to be reduced?

Mr. HARRIS. That's correct. We are merely a fiscal paying agent.

REFEREE SERVICES

Senator PROXMIRE. On page 35 of your justifications you indicate that funding for the referee services of the Public Law Boards were suspended during fiscal 1982 because of insufficient funds. Why did you run out of funds in the first place, and what steps have been taken since then to make sure it won't happen again?

Mr. HARRIS. We ran out of funds because the parties were asking for referees at a faster rate, and referees were spending money at a faster rate than was budgeted across the year. Again, we do not control this. All we do is say, "Stop because you are going to run out of funds." We don't tell them how many cases to have the first month or how many the second month.

What happens is that it depends exactly on how management and labor utilize these funds.

Senator PROXMIRE. Does the Government provide referees to any other agencies?

Mr. HARRIS. No, sir. This is unique.

Senator PROXMIRE. It is a unique subsidy?

Mr. HARRIS. It is a unique payment. It is the only, as I understand it, payment of arbitrators in the U.S. Government.

Senator PROXMIRE. Is it justified in your judgment?

Mr. HARRIS. Well, if we didn't do it, the unions claim under the Chicago River decision of the Supreme Court they would be free to strike under minor grievances. From the point of view of spending $1.8 million not to have unexpected work stoppages in the railroad industry, I think that is a judgment you will have to make.

Senator PROXMIRE. It is a peacekeeping function then.

Mr. HARRIS. Yes, sir.

PREPARED STATEMENT AND SUBMITTED QUESTIONS

Senator WEICKER. Thank you very much, Mr. Harris.

Mr. HARRIS. Thank you very much.

[The information follows:]

STATEMENT OF ROBERT O. HARRIS

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for fiscal year 1984.

The total amount requested for fiscal year 1984 to administer the Railway Labor Act is for a personnel complement of 59 positions and $5,758,000, $290,000 more than is available in fiscal year 1983. The increase is due to mandatory changes.

The appropriation for the National Mediation Board is requested for expenses necessary to carry out the provisions of the Railway Labor Act, as amended. The Act is administered by the National Mediation Board. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries. Additionally, the Mediation Board handles questions of representation as they arise in these industries and interprets agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of disposing of grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 3 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of a least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for fiscal year 1984 we are requesting $3,324,000 and increase of $290,000 over last year due to mandatory changes. These services which are the responsibilities of the National Mediation Board, involve the making and amending of collective bargaining agreements, the selection by employees of their bargaining representatives, as well as number of administrative duties consistent with statutory authority under the Act, and related statutes governing railroad and airline labor disputes procedures.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. In arbitration proceedings, disputes are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 10 of the Act. When the Mediation Board finds that a dispute threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this new procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two separate emergency boards to help in resolving the issues in dispute. The Mediation Board is requesting $584,000 for these activities, the same amount as allocated last year.

Boards of Adjustment

As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 3 of the Railway Labor Act.

In general, the amendment authorized the establishment of special boards of adjustment, known as public law boards, on individual railroads upon written request of either the representatives of employees or of the railroad to resolve disputes otherwise referable to the National Railroad Adjustment Board, and those disputes pending before the Board for one year.

Adjustment of Railroad Grievances (NRAB)

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of agreements rules. Administrative responsibility and fiscal expenditures by the Adjustment Board were placed with the Mediation Board. The Board presently provides private offices for railroad union and carrier representatives. We believe it would be more cost effective to use this money to pay for referees who are utilized in deciding 99.8 percent of the cases.

The total of $1,850,000 is requested for the disposition of grievances by the two tribunals. The same amount is available during Fiscal Year 1983.

This completes my statement. If you have any questions, we will be happy to answer them.

Questions Submitted by the Subcommittee

Question: What does the labor picture look like this year in the rail and airline industries?

Answer: As you know, the latest round of national rail bargaining was concluded during 1982. The contracts that were reached will run until June 30, 1984. As a result, rail labor and management will be involved during 1983 with issues of concern on the local properties. Certain carriers, such as Conrail, Amtrak, Long Island Rail Road, Port Authority Trans-Hudson, and Staten Island Rapid Transit Operating Authority, did not participate in national rail bargaining. Mediation cases involving certain of these carriers have been received and are being progressed.

The labor disputes that arose on the Long Island Rail Road precipitated the first presidential emergency board to be convened under Section 9A of the Railway Labor Act. The emergency board was created in November 1982 and made its report in January 1983. Because of the parties' inability to reach a settlement based on the recommendations of the emergency board, the National Mediation Board had the opportunity to conduct its first public hearing under Section 9A. At this hearing the parties appeared before the Board to explain why the recommendations of the emergency board had not been accepted. Negotiations are continuing and settlements have been reached with several of the unions on the property.

I would also note that bargaining is continuing on the three commuter authorities that took over Conrail's commuter passenger service. These commuter authorities are: (1) Metropolitan Transportation Authority - Metro North Commuter Rail Division; (2) New Jersey Transit Rail Operations, Inc.; and (3) Southeastern Pennsylvania Transportation Authority.

On the airline front, we believe that the unions can be expected to attempt to recover the wages and other benefits that were deferred in the previous round of bargaining. Over the last couple of years, virtually all the major carriers have requested concessions from their employees. Whether or not this pattern continues is contingent on the extent the airline industry is able to recover financially.

Question: What major negotiations do you expect during fiscal year 1984 in the two industries?

Answer: In the airline industry, a number of key negotiations will occur in FY 1984. New agreements covering pilots will be negotiated at seven of the nation's 11 operating major carriers: United, Republic, TWA, Delta, American, Western and Continental. New mechanic agreements will be negotiated at United, US Air, Frontier and Pacific Southwest Airlines. Flight attendant negotiations will be conducted on Republic, Northwest, Pan American and Pacific Southwest Airlines.

In the railroad industry, a new round of national rail talks will commence during FY 1984. Although the current agreements run until June 30, 1984, new contract proposals can be served between the parties on April 1, 1984.

Question: Is there an effect of deregulation on the airline and railroad industries in terms of mediation and representation case load?

Answer: Airline deregulation has had a notable effect, particularly on the Board's mediation caseload. Following passage of the Airline Deregulation Act of 1978, a number of carriers expanded their service areas, generally moving from an intra-state to an interstate basis. In addition a number of new carriers emerged. Between 1981 and 1982, the Board resolved nearly 14 percent more airline mediation cases. Most of this increase can be attributed to disputes that have arisen on air carriers that came within the Board's jurisdiction since the passage of the Airline Deregulation Act of 1978. Over 10 percent of the Board's representation cases involving airlines have been conducted on carriers that came within the Board's jurisdiction after deregulation.

Deregulation in the railroad industry has precipitated the creation of numerous short-line railroads. For the most part new caseload has not been generated on these carriers to date.

Question: What impact will the decision in Bowen v. U.S. Postal Service have on the grievance procedure? (U.S. Supreme Court - 1/11/83).

Answer: The Bowen decision has shifted the potential back pay liability from primarily that of management to primarily that of the labor organizations. As a result, if a labor organization does not bring a case up to arbitration, it may be subject to full liability from that point on, rather than the carrier. Accordingly, as the dissent in Bowen noted, more cases will be arbitrated, rather than settled or dropped, in order to avoid the labor organizations' exposure to this newly defined liability.

Question: How are Public Law Boards different from the National Railroad Adjustment Board (NRAB)?

Answer: Public Law Board is the alternative that Congress provided in 1966 to decide cases otherwise referable to the NRAB. The NRAB is located in Chicago, IL., houses 24 partisan members (17 labor and 7 carrier) in federally-paid leased space. In addition to the rent the Government pays the salaries and expenses of neutrals (arbitrators) and all the overhead expenses of the NRAB, such as the salaries of 10 government employees, telephone, supplies, etc. The proceedings and policies of each division of the NRAB are established by their respective members. Public Law Boards generally convene on the carrier's property, are composed of a neutral, a carrier representative and a union representative, and the only costs to the Government are the neutral's salaries and expenses.

Question: Your budget justification indicates that you plan to increase Public Law Board by $115,000 and reduce the NRAB by the same amount. Please explain your reasoning?

Answer: We plan to increase, based on past experience, the funds available for arbitrators' salaries and expenses in both categories. This is possible because of a planned lowering of SLUC (rent) costs and overhead at the NRAB.

The allocation between PLBs and the NRAB is based upon the historic usage of these tribunals by the parties.

The same arbitrators work on all the tribunals. Shutting off funds on one tribunal and allowing another to continue operations would be self-defeating. An arbitrator who devotes 80 percent of his/her time to PLBs and 20 percent to the NRAB would simply shift his/her workload entirely to the NRAB. Also, since some organizations and carriers prefer to use PLBs and others prefer to use the NRAB, stopping work on one and not the other should be considered discriminatory.

Question: The National Railroad Ajustment Board (NRAB), Public Law Boards and Special Boards of Adjustment all seem to perform basically the same task. What are their differences?

Answer: All the tribunals dispose of minor grievances under section 3 of the Railway Labor Act. The NRAB and special boards of adjustment were created by act of Congress in 1934. Special boards of adjustment require both the union and railroad to agree to establish a tribunal. Public Law Boards were created by an amendment to the Railway Labor Act in 1966 due to a large backlog of cases of one party to the dispute. The awards of the three tribunals are final and binding on the parties.

The main difference among the three tribunals occurs when an individual wishes to file his/her own case. When that happens the only tribunal available to the individual is the NRAB. Of the 1,144 cases filed with the NRAB in fiscal year 1982 only 63 were filed by individuals.

Question: Are all these boards necessary?

Answer: Since the three tribunals were established by Congress it is the Congress' judgment that all three are necessary.

Question: Could one board perform all functions and would that be a viable idea? If yes, what action would Congress have to take to establish this one tribunal?

Answer: It would be possible for one tribunal to handle section 3 disputes. An act of Congress would be required to change the present system.

Question: Your budget request indicates an increase of $290,000. Major increase is $139,000 for GSA rent. Are you moving to fancier or larger quarters? Please explain.

Answer: It reflects the increase in SLUC (rent cost) per GSA. No additional square feet have been acquired and there is no change in the location of the space assigned by GSA.

Question: Why have you decided to reduce your Mediation Services staff by one?

Answer: The personnel ceiling of 60 must be reduced by one position per OMB instructions. The one position reflects a vacancy that presently exists.

Question: The Mediation Board usually returns funds to the U.S. Treasury. Will this continue in FY 1984? Please explain.

Answer: Normally, these funds are considered a contingency fund to be used only for arbitration boards and emergency boards. In FY 1984 we expect that factfinding panels will be established on CONRAIL and will be covered by this fund. We will return what is not obligated.

Question: How long has the Government provided space to NRAB members?

Answer: Space has been provided since the Board's inception in 1934. While the labor members utilize 17 offices, the carrier members have reduced their private offices to 7.

Question: If the NRAB members were asked to vacate their offices in Chicago, how much money would be freed-up for additional referee services?

Answer: It is estimated that approximately $240,000 would be available for referee services. The money would cover 1,000 referee days and approximately 600 additional cases would be decided.

Question: Who would react to this shift in funding and the loss of office space?

Answer: The proposal would reduce office space in Chicago by approximately 75 percent. Also, additional savings in related overhead expenses would occur. Labor and carrier members would no longer be housed in federally funded space. The NRAB members would have to make other arrangements for their office space. However, the Government would continue to provide office space for federal employees and for hearing rooms to be used by NRAB members and neutral referees.

Question: Describe your railroad grievance case backlog.

Answer: At the end of FY 1982, a total of 21,542 cases were pending before the three tribunals.

Question: Please list your ten oldest cases and explain the reasons for their age.

Answer: The NMB has no control over the number of cases filed nor the length of time it takes for a case to be disposed of in a final and binding award. Our role is ministerial. The NRAB members of the respective divisions schedule the hearings and meetings involving each case. The same applies to public law boards and special boards of adjustment.

Question: Do you perceive this backlog as a serious problem and how would you propose that it be corrected?

Answer: We do not believe that the backlog is as serious as it appears. Many of the claims involve similar issues which could be disposed of by one award. The NMB is encouraging the parties to file one case and have its decision decide similar cases. Also, the Board is encouraging the parties to establish procedures for expedited handling of discharge cases under section 3 of the Act.

Question: Would the additional funds for referee services help to reduce this backlog?

Answer: It is our opinion that additional funds would help reduce the backlog. However, the cooperation of the labor organizations and rail carriers is needed since the tribunals are tripartite and the Board's role in the decision making process is ministerial.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF KAY McMURRAY, DIRECTOR

ACCOMPANIED BY RICHARD WILLIAMS, DEPUTY DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Next, we have the Federal Mediation and Conciliation Service, Kay McMurray, Director, and Richard Williams, Deputy Director.

Mr. McMURRAY. Good morning, Senator.

Senator WEICKER. Good morning.

In the case of all witnesses, statements in their entirety will be included in the record. And witnesses can feel free to summarize in the way that they deem fit.

In addition, for all those who have testified here this morning, there will be additional questions propounded to the witnesses for response to the record, by the chairman and by other senators.

Proceed.

Mr. McMURRAY. By way of an opening, I would like to mention that I have with me my new Deputy Director, Mr. Williams. He has only been in town 2 days, and I brought him along because I thought you could help me educate him a little bit.

Senator WEICKER. Where do you come from, Mr. Williams?

Mr. WILLIAMS. Recently?

Senator WEICKER. Yes.

Mr. WILLIAMS. I have come from San Francisco by way of Chicago.

Senator WEICKER. Get back to San Francisco. That is the best thing. That is the best advice I can give. And that is not meant to you personally. I feel that every morning I get up, I wish I was waking up in Connecticut, but it isn't.

So please go ahead.

OPENING REMARKS

Mr. McMURRAY. Since the statement will be introduced in the record, I will summarize briefly our request. We are asking this year for an appropriation of $21,461,000. That is slightly less than last year, if we include the amount of money requested for the October 1982 pay raise.

The agency has recently been through the large trauma of a severe budget reduction. We have spent time with the Office of Management and Budget. We have made the necessary compromises, as have they.

I come before you to present a budget with which I am reasonably comfortable. I believe that we can accomplish our mission, if no additional reductions are imposed.

Having said that, I will answer any questions you may have.

PAY RAISE SUPPLEMENTAL

Senator WEICKER. Thank you, Mr. Chairman.

Now, I notice in fiscal year 1983, you received a supplemental for civilian pay raise, $694,000.

Mr. MCMURRAY. We haven't received it yet. We have requested a supplemental, but I don't believe you have acted on it.

Senator WEICKER. You say we haven't?

Mr. MCMURRAY. Yes, sir.

Senator WEICKER. Congress?

Mr. MCMURRAY. Yes; we have requested $694,000 which represents approximately 55 percent of the money needed for the increase that was given to the employees. We are absorbing about 45 percent of that cost in our budget. However, I don't believe you have acted on the supplemental request.

FUNDING INCREASES

Senator WEICKER. The overall request from the administration is about $140,000 more than last year; is that correct?

Mr. MCMURRAY. That is correct, if you exclude the pay raise supplemental.

Senator WEICKER. And what are the additional moneys for?

Mr. MCMURRAY. First of all, it is important to note that in the previous year, the agency's staff was cut by approximately 22 percent. The increase in funding from 1983 to 1984 includes various factors—pay raises, fringe benefit increases, increases in rental charges imposed by the General Services Administration, et cetera.

ON-BOARD EMPLOYMENT

Senator WEICKER. How many employees are on board at the moment?

Mr. MCMURRAY. There are 352 employees on board.

Senator WEICKER. And the budget ceiling for fiscal year 1983 is 365. Do you want to explain that discrepancy?

Mr. MCMURRAY. The simplest way to explain it, Senator, would be to compare the 365 figure to a type of enabling resolution. That is what Congress has said we could have. But after reviewing the 1983 budget and the amount of money provided, we have found that we cannot hire to our ceiling of 365.

So we are below 365, and we will consistently stay below that.

STAFFING/WORKLOAD

Senator WEICKER. I would like to get to the matter of the quality and timeliness of your services. Your opening statement tells us you provide an essential service to the economy of this Nation. Over the past several years, you have requested a consistent and what seems to be a significant decline in the number of employees.

Your own projections for fiscal year 1984 indicate that you expect a significant increase in dispute mediation. And yet, by virtue of what we discussed a few minutes earlier, you have fewer mediators. How are you going to remain effective under those circumstances—fewer people, more disputes?

Mr. MCMURRAY. First of all, when you discuss the number of people we have there are two types—mediators and administrative support. There have been no reductions in force involving mediator staff. There have been a few reductions through attrition.

Our major function is to mediate labor disputes and keep peace in the economy. At the present time there are approximately one-third as many strikes as normally take place.

People are settling earlier and settling faster. So the service's workload has been reduced. However, this is the second year of the bargaining cycle, which means we can expect an increase in mediation cases.

Also, a great number of the contracts signed last year were simply 1-year renewals with tradeoffs to relieve some of the companies' problems. These contracts are coming up for renegotiation. And we anticipate as the economy picks up, that some unions will be back asking for money that was given up as concessions. This will increase our workload.

These forecasts are what we expect will happen, but no one can be absolutely certain.

FUNDING FOR EQUIPMENT

Senator WEICKER. Your 1983 budget indicates $22,000 for equipment. You are requesting an increase of $316,000 for this item in fiscal year 1984. Why?

Mr. MCMURRAY. You are talking about ADP?

Would you repeat the question please?

Senator WEICKER. $22,000 is requested for equipment in your 1983 budget; and you are requesting an increase of $316,000 for this item in fiscal year 1984.

Mr. MCMURRAY. That increase is for computer terminals. In 1982, we introduced a new ADP system. During the year 1983, we are putting that system in place and refining it. So, in 1983 we won't need additional equipment.

In 1984, we will need additional terminals in the field to complete the system. These funds will be used to purchase 62 additional microcomputers. The cost of those will be $326,000.

FUNDING FOR OTHER SERVICES

Senator WEICKER. You are requesting over $500,000 for other services. And that is an increase of $208,000 over fiscal year 1983. So maybe you would like to define "other services" for the committee.

Mr. MCMURRAY. Would you please state the amount again?

Senator WEICKER. You are requesting an increase of $208,000 under "other services." Page 6.

Mr. MCMURRAY. I think the figure to which you refer is $180,000, Senator.

Senator WEICKER. Let me see. This is the congressional submission of the Federal Mediation and Conciliation Service. Turn to page 6.

All right, under "other services, 1983, $357,000 for an increase of $208,000." I'm asking what that other services includes.

Mr. MCMURRAY. The special services?

Senator WEICKER. Is this your document here that I have or is this one of my staff documents?

Mr. MCMURRAY. That is our document.

Senator WEICKER. All right, that's what I am asking you to refer to.

Mr. MCMURRAY. It consists of a number of items. After a rather long discussion with the staff of the Office of Management and Budget, we convinced them we needed administrative help in the field. In the 1982 reorganization, the previous Director did not reduce mediators, but rather, he eliminated almost all support services personnel in the field. We now realize that some help is needed to run the ADP system. This support will amount to $180,000 of the $208,000 increase in other services.

Training of the mediator work force will amount to $25,000.

Maintenance of the computer and other equipment is also included. I have a whole list of items that represent the increase of $208,000, Senator.

Senator WEICKER. I understand that, but what I don't understand is the first item which is the largest portion, $180,000. You have personnel accounts. If personnel were involved, they should be under personnel, not under other services. The other services to me is a contingency-type account.

Contingency accounts as far as I am concerned are to be kept to a minimum. They are the petty cash account, if you will. They are not meant to involve major expenditures either in terms of personnel or equipment.

Mr. MCMURRAY. Let me be very candid with you. That was the Office of Management and Budget's term, not mine. The $180,000 represents a request for money to pay those administrative people. OMB included the funds under other services, with certain restrictions. That is not my designation.

CATEGORIZATION OF FUNDS REQUESTED

Senator WEICKER. I will tell you, Senator Proxmire, for a group that prides themselves on their precision in budgeting, how do you like that for an exercise in a pot of money with absolutely no specificity at all?

Well, we will take a further look at that.

Mr. McMURRAY. I hope you are not thinking of taking that away, Senator.

Senator WEICKER. Well, I'll tell you what I am thinking. I am thinking of having my staff get back in touch with you and finding out what the justifications are. As you say, as far as personnel are concerned, if indeed your needs are for additional support personnel, I have no problem with that, but let's call a spade a spade.

Mr. McMURRAY. I am always for that.

Senator WEICKER. Well, that is what we are calling for here.

Mr. McMURRAY. Good.

Senator WEICKER. And I want to put that in the proper category.

Senator Proxmire.

ADDITIONAL CLARIFICATION OF OTHER SERVICES

Senator PROXMIRE. Mr. Chairman, I agree with you wholeheartedly. You are proposing a decrease of $554,000 in your total budget but an increase of $208,000, about 40 percent of the decrease, for other services. This isn't very illuminating. It doesn't give us much of an idea what you are doing.

On page 37 of your justifications, you indicate you are requesting $180,000 for special services. There is no description of how these funds would be used. What are the funds for?

Mr. McMURRAY. That is the fund, to which I just referred.

Senator PROXMIRE. Is that the same thing?

Mr. McMURRAY. Yes, sir.

Senator WEICKER. No; it is not.

Senator PROXMIRE. It is on a different page. It is on page 37 of your——

Mr. McMURRAY. $180,000. I am looking at page 37.

Senator PROXMIRE. All right, I am referring to the third item from the bottom, right above guard services.

Mr. McMURRAY. Yes; that is what we were talking about.

Senator PROXMIRE. I thought you were talking about an other services budget of $565,000.

Mr. McMURRAY. Well, the $565,000 total includes the series of expenses listed above. The $180,000 to which you just referred is the item I just discussed.

Senator WEICKER. I wonder if the Senator would yield.

Turn back to page 3 of your presentation. Go back to page 3. I think that is under the program that says, "Increase in special service contracts, $180,000." Is that the same?

Senator PROXMIRE. Yes, sir.

Senator WEICKER. That is not the same figure we were discussing.

Mr. McMURRAY. Yes; it is the same thing. I don't know the reason for categorizing it that way.

I feel, Senator, that I should say something on behalf of the Office of Management and Budget because I was the one representing the agency in the budget talks, and you know how the system operates. OMB staff members want to keep costs down as much as possible.

When I asked for these funds, OMB put the funds under the accounting label, other services. It is their way of keeping pressure on the agency to not spend money needlessly.

So if you look at it from their standpoint, it isn't quite as unrealistic as it might appear. I spent so much time arguing with them, I feel I should back them up a little on that basis.

Senator WEICKER. Senator Proxmire, you have the floor.

Senator PROXMIRE. Well, I agree that you have budgeted $565,000 for other services, but then you have this great big category here titled special services without a breakdown.

Mr. McMURRAY. Do you mean the $180,000?

Senator PROXMIRE. For the record, can you provide the committee with as much specificity as possible——

Mr. McMURRAY. Yes; we can.

Senator PROXMIRE [continuing]. As to exactly how these funds would be spent?

Mr. McMURRAY. I would be glad to.

I can tell you right now, it represents 10 to 14 support people in the field. But I will provide it for the record in more detail.

Senator PROXMIRE. Let us know what the 14 support people in the field would do.

Mr. McMURRAY. Yes, sir.

[The information follows:]

The $565,000 requested for the fiscal year 1984 for other services includes: (1) $25,000 for professional development and training; (2) $106,000 for ADP operations; (3) $21,000 for office repairs, alterations, maintenance, and miscellaneous expenses; (4) $32,000 for Office of Personnel Management investigations of employees hired to fill sensitive positions; (5) $22,000 for health care services—HHS health unit fees; (6) $10,500 for maintenance of office machines; (7) $24,000 for boards and panels expenses; (8) $5,000 for storage costs related to the 27 official station transfers expected in fiscal year 1984; (9) $2,500 for official representation expenses; (10) $86,000 for guard service in the national office; (11) $180,000 for special services contracts; and (12) $51,000 for other contractual services.

The $180,000 for special services contracts will be used to obtain clerical support services for the district directors most especially to handle the new ADP requirements. This is needed to reduce the administrative burden on district directors and utilize their talents more as mediators and managers.

INCREASED WORKLOAD/DECREASED STAFF

Senator PROXMIRE. Now, in your testimony you say that the demand for mediation services will most likely increase in fiscal 1984, given the expectation that as the economy improves, the unions will be in asking for more money to catch up. That may be realistic.

But why are you requesting a reduction in your mediation staff from 282 to 274 in fiscal 1984 if you are going to have more activity? Don't you need more people?

Mr. McMURRAY. I'm sorry?

Senator PROXMIRE. You are proposing to reduce your mediation staff from 282 down to 274.

Mr. McMURRAY. You are looking at total support including mediators. I was just talking about mediators. There are 237 mediators on board now.

Senator PROXMIRE. But how can you get along with less personnel if you project more activity and more demand for your services?

Mr. MCMURRAY. I have reviewed the entire situation, and I feel we have enough people to accomplish the agency's mission. Things are quiet right now in collective bargaining.

Senator PROXMIRE. Are you saying that you have more people than you need at the present time, and you can get along on fewer personnel next year even though you are going to have to have more activity?

Mr. MCMURRAY. I think the agency has sufficient staff right now to handle the present workload, as well as the increase expected next year. However, I may have to hire two or three more mediators before the year is out.

Senator PROXMIRE. You are proposing to cut your staffing down from 282 currently to 274 overall next year.

Mr. MCMURRAY. I have 237 mediators now so I am not sure where you are looking.

Senator PROXMIRE. You are requesting a reduction in your mediation staff. Maybe you are saving in some other areas, but on page 5 of your justifications, where you list obligations by activity, you indicate that in 1983, dispute mediation and technical assistance permanent positions will be 282. In 1984 those permanent positions will be 274, or minus 8. That is a reduction of eight.

You plan to make reductions in every category, but that is the biggest reduction. It is also your biggest category.

Mr. MCMURRAY. These figures represent all of the staff devoted to that activity, Senator—dispute mediation, technical assistance, public information, and educational activities. That figure includes more than mediators.

Senator PROXMIRE. Will you have more mediators in 1984 than in 1983?

Mr. MCMURRAY. No, sir.

Senator PROXMIRE. Will you have the same number?

Mr. MCMURRAY. A few less, because of attrition, and at this time I have no intention to hire a large number of mediators.

Senator PROXMIRE. These people have been sitting around the last year or so and now you are going to put them to work, is that right?

Mr. MCMURRAY. I will say this: There have been fewer strikes in the last year than any time since the agency was created. But we don't know how long that is going to last.

Senator PROXMIRE. Thank you, Mr. Chairman.

PREPARED STATEMENT AND SUBMITTED QUESTIONS

Mr. Chairman, I have some other questions for the record. I am going to have to leave for the floor.

Senator WEICKER. Thank you very much, Senator Proxmire. Those questions will be submitted and responded to.

In the meantime, I have further questions for response for the record. In addition, I would like to clarify some of these points. I think the best way to do that is face to face. So there will be a member of the staff of the subcommittee meeting with your fiscal personnel to try and get this straight.

Mr. McMURRAY. Fine.

Senator WEICKER. Thank you very much.

[The information follows:]

STATEMENT OF KAY MCMURRAY

I am pleased to present the President's Fiscal Year 1984 appropriation request for the Federal Mediation and Conciliation Service.

The Service's Fiscal Year 1984 budget seeks to achieve the Agency's mission through continued productive and efficient use of personnel and financial resources. In Fiscal Years 1982 and 1983, the administrative structure in both the national and regional offices was streamlined to compensate for reduced staffing and funding levels. This is reflected in our FY 1984 submission. Let me assure you, however, that every effort has been and continues to be made to maintain the level of service of our primary mission--facilitating and promoting the settlement of labor disputes and avoiding or minimizing work stoppages.

Major Industry Negotiations

In FY 1984, major contracts will be expiring in the aerospace, coal mining, retail and wholesale food, health care, transportation, primary metal, maritime and construction industries. These negotiations will involve over one million workers.

The Service projects a slight increase in dispute caseload for FY 1983 and FY 1984, reflecting a continued overall rise in national economic growth. As the economy improves, it is expected that labor unions will continue efforts to recoup concessions made in FY 1982 and FY 1983. This will, in all likelihood, increase the demand for our mediation services.

Public sector dispute mediation, including employees at the state, local, and Federal levels, is another part of the Service's mediation program. Strikes by public employees can have an immediate and devastating effect on essential services to the public. In FY 1984, FMCS will continue to meet the parties needs in this area, working with state and local mediation agencies when requested. FMCS will also mediate Federal sector disputes as mandated by Public Law 95-454, the Civil Service Reform Act.

FMCS, under Public Law 93-360, is given special responsibilities in assisting in the resolution of disputes in the health care industry. During FY 1984, mediators will continue to furnish mediation services to health care institutions, thereby helping to ensure that critical health care services will not be interrupted.

Technical Assistance/Public Information and Education Activities

Strikes resulting from poor labor-management relationships cost employees, employers and the nation's economy millions of dollars each year. FMCS' technical assistance program, which is coordinated at the National Office level, provides the parties with a preventive mediation mechanism that is removed from the pressurized atmosphere of the bargaining table.

Mediators will continue to assist in the formulation and maintenance of area and industry-wide labor-management committees, foreman-steward training programs, and the Service's Relations-by-Objectives program. Labor-management cooperative efforts have been the focus of increasing interest and attention throughout the nation. As a result, we expect a continued rise in their TA program area in FY 1984.

We will also continue to promote increased public knowledge and understanding of FMCS and its role in mediating labor disputes.

Arbitration Services

The Service's primary arbitration function is to provide panels of qualified private sector arbitrators to the parties on request. These requests, which have escalated rapidly in the last ten years, are expected to continue at a high level through FY 1984. The budget request for this activity will enable FMCS to respond to these requests promptly, since in many cases the livelihood of workers may be at stake in the dispute to be arbitrated. Average response time is currently under five working days.

Management and Administrative Support

FMCS' management and administrative support functions affect all agency program areas. Major support duties include personnel management, budget and financial management, automatic data processing, administrative services, legal services, planning and evaluation, training, and program audit services.

In adhering to a fiscally responsible policy, the Service will continue to streamline its operations and maximize the use of existing resources during FY 1984.

The Service is now in the process of converting from manual systems to automated systems in virtually every program area. These systems include mediation case processing, mediator reporting, arbitration, personnel, and payroll--all expected to be in place and functioning between the National Office and all large field stations by the end of FY 1983.

In FY 1984, it is expected that all additional ADP purchases will be completed to enable Agency-wide implementation of the Service's automated systems.

As a part of the Service's effort to maximize the delivery of mediation services to the labor-management community with a minimum of funds expenditure, a space reduction plan was undertaken in FY 1982. We report that most of the plan has been successfully completed. However, some difficulties have been and continue to be experienced over the process of releasing surplus space. We are working through the process at this time and hope to report a favorable resolution of this problem next year.

In the area of internal controls, emphasis will continue to be placed on assuring that allocated funds are used for the purposes intended and used as effectively and economically as possible.

The National Labor-Management Panel

Under Section 205.(a)(b) of Title II of the Labor-Management Relations Act, a National Labor-Management Panel was created to advise the FMCS Director in matters pertaining to the use of mediation and the nation's industrial peace. Inactive since 1968, the Panel will be reconvened in FY 1983. Panel appointments are for a term of three years, and members will continue to meet during FY 1984.

Summary

To accomplish our mission, in FY 1984 the Service is requesting a total appropriation of $21,461,000. We are also requesting

345 full-time permanent positions, a reduction of 20 positions from FY 1983.

Mr. Chairman, I will be happy to answer any questions you may have at this time.

BIOGRAPHY OF KAY MCMURRAY

Kay McMurray, Director of the Federal Mediation and Conciliation Service (FMCS), was sworn in as the Agency's 11th Director on Thursday, July 22, 1982. He comes to the Service with many years of valuable labor relations experience.

In 1972 he was appointed as a member to the National Mediation Board (NMB). He served in that capacity until 1974 at which time he was appointed Chairman and directed that Agency's activities until 1977. From then until the time of his appointment to FMCS, he was an arbitrator with a private practice and full schedule of arbitrations primarily in the airline and railroad industries.

Prior to his positions with the NMB, he spent 18 years as the Executive Administrator of the Air Line Pilots Association (ALPA) based in Washington, D.C. From 1949 to 1953 he lived in his home state of Idaho, where he was assistant to the president of Inland Empire Insurance Company. During this period he was also a registered representative of the New York Stock Exchange.

Following attendance at flight school in the early 1940's, McMurray became a pilot for United Airlines where he achieved the rank of Captain. While working for United, he was a member of the pilot negotiating committee.

McMurray developed and operated substantial ranching and farming operations in Idaho during the sixties and seventies.

McMurray graduated from Stanford University in 1940 with a bachelor of arts degree in political science. He pursued post graduate studies in Business Administration at the same institution in 1947 and 1948.

McMurray lives in Bethesda, Maryland, with his wife, Roberta. He has three grown daughters, Kathleen, Julia, and Mollie.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SPECIAL SERVICE CONTRACTS

Question:

The Service has requested $180,000 for Special Service Contracts in FY 1984. Is this a new type of expense? Please explain the purpose of these funds.

Answer:

The $180,000 will be used to restore clerical assistance to our field operations. During the reorganization in FY 1982 the Service's support personnel were extensively reduced. Through an agreement reached with the Office of Management and Budget, the Service was granted these funds to partially offset this large staffing reduction. Additional support personnel in the field will reduce the current administrative burden on the district directors and allow us to utilize their talents more as mediators and managers.

SEMINARS, WORKSHOPS AND CONFERENCES

Question:

The Service has requested $25,000 for Seminars, Workshops, and Conferences. How will these funds be used? Are they absolutely necessary?

Answer:

The Service intends to use these funds for much needed professional training for mediators. Because of funding shortages in recent years this type of training has not been conducted. We feel that this beneficial technical training should be undertaken, if these funds remain available during FY 1984. However, funding constraints could require the transferring of this money into personnel compensation to cover salary and benefits costs.

LABOR-MANAGEMENT COOPERATION PROJECT

Question:

What is the Labor-Management Cooperative Project?

Answer:

The Labor-Management Act of 1978 (29 U.S.C.175a) authorizes the Service to provide assistance in the establishment and operation of plant, area, and industry-wide committees designed to improve labor management relationships. This is to be accomplished where necessary or appropriate through the awarding of grants.

Question:

What have been the specific results of the project?

Answer:

The following are some sample results derived from labor management grants awarded:

1. Diamond International Corporation, Palmer, Massachusetts

Productivity - 18.7% increase
Absenteeism - 30.0% decrease
Accidents - 200 fewer lost-time days per year
Grievances - 55.0% decrease
Quality-Related Mistakes - 40.0% decrease
Disciplinary Actions - 48.0% decrease

2. Rome Cable Corporation, Rome, New York

Grievances - 40.0% decrease
Accidents - 16.0% decrease

Reduced sub-contracting outside of plant expected to save $100,000 annually.

3. Houston Terminal Project, Houston, Texas

   a. Houston Belt and Terminal Railway

      (1) Clean-up campaign expected to reduce maintenance costs by a least 50%.

      (2) Improved work reporting system expected to increase revenue by $1,600 per month per one customer. Company services 500 customers.

   b. Southern Pacific Railroad

      (1) Job placement service successful in finding jobs for 20% of furloughed employees.

      (2) Improved work reporting system yields 300% increase in average charges billed per employee.

4. Hope's Architectural Products Company, Jamestown, New York

Through input of the plant's labor-management committee on cost effectiveness, the company implemented improved designs, modified the selections and use of basic materials, and improved manufacturing techniques which led to a $1 million (11 percent) increase in annual sales. This plant committee was established through the resources of the Jamestown Area Labor-Management committee.

5. Philadelphia Area Labor-Management Committee, Philadelphia, Pennsylvania

Through informal intervention, the area committee was able to avoid serious work disruptions in two instances last year, one involving 400 retail employees and one involving 6,000 building trades employees.

The committee was successful in obtaining special relocation assistance for the employees of 275 small companies located in an areas of the city designated for urban renewal, easing the threat of sudden dislocation to some 5,000 employees.

The committee assisted A&P Stores and the United Food and Commercial Workers in a landmark agreement that prevented the permanent closing of 33 A&P Stores and promoted the rehiring of 1,200 former A&P employees.

Due to the educational activities of the committee, over 80 contractors in the Philadelphia area were added to the bidding list of the Philadelphia Navy Yard. This will enable local contractors to bid on $100 million worth of defense contracts, providing a new source of employment for local union craftsmen and a stronger economic base for the area as a whole.

Question:

Why have you eliminated this project from your FY 1984 appropriation request?

Answer:

This program is not requested for FY 1984 because the Administration has determined it is not of a sufficient priority to continue its operation.

Question:

What level of funding would be necessary to continue the program?

Answer:

The authorizing legislation allows for the awarding of up to $10 million in grants. The Service has received grant applications in a single year totaling over $4.8 million. However, authorized funding has never exceeded $1.0 million for any single year.

ARBITRATION

Question:

What was the average time for responding to requests for arbitration panels in each year beginning with 1978?

Answer:

Response time for providing panels of arbitrators to requesting parties has ranged from 2.1 days to 5.1 days since 1978:

FY 1978 - 2.4 days
FY 1979 - 2.1 days
FY 1980 - 3.6 days
FY 1981 - 5.1 days
FY 1982 - 3 to 5 days (estimate)

DISPUTE MEDIATION CASELOAD

Question:

Do you have a case backlog? How large is it? How old is it? What are your five oldest cases?

Answer:

Our dispute mediation caseload is continuous and on-going throughout the year. At any given point the Service will have from 5,000 to 7,000 cases in process. These cases do not represent a backlog but rather identify negotiations which are in process. All dispute cases are promptly closed at the termination of negotiations.

USER FEES FOR ARBITRATION SERVICES

Question:

Your FY 1983 appropriation was reduced by about $4 million. You proposed a fee-for-service system for arbitration services to offset a portion of your budget reduction. What is the status of this proposal?

Answer:

The Service's FY 1983 budget request for a "fee-for-service" system for arbitration services was not approved by the Congress. It has not been included in this year's budget request.

IMPACT OF REORGANIZATION

Question:

In FY 1982 the Federal Mediation and Conciliation Service underwent a major reorganization. You consolidated 8 regions to four and you reduced your personnel by 21 percent. The GAO expressed concern about the agency's timeliness of case assignment and other delays.

a. Has your agency undertaken a study to assess the impact of that reorganization? If "Yes" may we have it? If "No", why not?

Answer:

Yes. An extensive audit of the centralized case assignment process was conducted over a six-month period. The results showed that although there were some deficiencies within the system there were very few instances where case assignments were not made in a timely fashion. The audit report is available to the committee if it is so requested.

STAFFING

Question:

In your 1984 proposal you are requesting a personnel reduction of about 5 percent.

*--How many employees are on board at the moment? (352)
--Your budget ceiling for FY 1983 is much higher than that. (365)

*Please explain, do you plan to fill vacancies to reach your authorized level in FY 1983. If so, how many and what types of employees will be hired?

*How will you accomplish a reduction of 20 positions in FY 1984?

Answer:

Limited funds in FY 1983 preclude filling vacancies to maintain our authorized staffing level. However, the Service will be hiring from 10 to 14 clerical support staff for our district offices. It is projected that through attrition the Service will have an end-of-year staffing level of 351 positions.

Since the Service will not be at its authorized ceiling at the end of FY 1983 it will not have to reduce its staff by 20 positions in FY 1984. The remaining six-position reduction to reach 345 in FY 1984 will be achieved through normal attrition.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

NATIONAL LABOR MANAGEMENT PANEL

Question:

Why have you decided to reactivate the National Labor Management Panel after all these years?

Answer:

I believe there is always room for improvement in communications. This has prompted me to take advantage of the statute to reestablish a good knowledgeable committee. This committee will, of course, be subject to the biennial charter renewal and other requirements of the Federal Advisory Committee Act.

When I took the office as the Director of the Federal Mediation and Conciliation Service I was looking for some structured way to receive information from the labor-management community on the state of collective bargaining. I have a feeling that, at the present time, there is a pause or modification occurring in collective bargaining that nobody really understands. No one knows for sure where collective bargaining is going or what the problems will be. Reinstituting the National Labor Management

Panel will provide me with communication I feel is lacking in this area.

This Panel operated extensively and quite successfully under former FMCS Director Bill Simkin who was one of the most successful directors of the Service. The Panel did not function in subsequent administrations, however, there were various groups working in the labor-management area.

Question:

What is the cost for this?

Answer:

We will closely monitor the costs of this Committee to keep expenses to a minimum. The members of the Committee may be allowed transportation and travel expenses including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5701-5707). However, it is expected that one-third or more of the members will be from the Washington, D.C. metropolitan area. We believe the total cost will be from $8,000 to $10,000 per year.

LABOR MANAGEMENT SERVICES ADMINISTRATION

Question:

Do any of the services provided by your operation overlap with the services provided by the Labor Management Services Administration?

Answer:

The technical assistance provided by FMCS and DOL's LMSA are complementary rather than competitive, with LMSA basically providing resource materials and FMCS basically providing the hands-on assistance to the parties. Our two organizations have an interagency task force to insure this kind of cooperation; any overlapping would be minimal and unintentional.

MEDIATION SERVICES

Question:

In your testimony you state that the demand for mediation services will most likely increase in fiscal 1984, given the expectation that--as the economy improves--labor unions will try and recoup concessions made in the past few years. Why are you then requesting a reduction in your mediation staff from 282 to 274 in fiscal 1984?

Answer:

During the reorganization and reduction in force implemented in FY 1982, the Service reduced many clerical and management positions. Field mediator positions were not affected. In the last year or so the dispute mediation workload has been down primarily due to the economic climate. As the economy improves we expect labor unions will try to recover wage and benefit concessions thus increasing our dispute case workload.

I feel that adequate mediator resources will be available in Fiscal Year 1984 to meet the increased workload demand. Existing mediator staff once again will be called upon to increase productivity and thus handle more mediation assignments. Also, the increase in support personnel in the field will reduce the administrative burden on the district directors and allow them to handle their own mediation cases. We are presently reviewing our workload and mediator distribution. Some realignment of mediator staff will be necessary to adequately staff the field stations where there are shortages created by attrition or increased workload.

AUTOMATION

Question:

Can you project what the overall savings will be, once the automated system is in place--as well as how it will improve your operations?

Answer:

Because the Service's implementation of the automated data processing system is just beginning, it is not possible to project the overall cost savings that will result. However, we anticipate that when the implementation is completed, substantial savings will be derived.

Automation will be introduced or substantially upgraded in the following areas:

1. Case Processing

The largest and most significant application is case processing. Our mediators are almost continually involved in various preventive or dispute resolution activities. Each mediator reports significant activity throughout the life of a dispute. Presently, only the mediator's final report is computerized--keypunched, and the statistics analyzed, sometimes nearly a year after the fact. Any additional data from present mediator cases is reported and processed manually.

The new automated system scheduled for implementation on August 1, 1983, will electronically track cases from the day a notice is received by FMCS through closure. This new system is intended to provide more timely and accurate information which will yield more rapid recognition of problems or opportunities, improved decisions, more effective implementation of those decisions and a significantly improved reporting capability within FMCS and with both the OMB and the Congress.

This near real-time capability will provide both the Agency's managers and the mediator staff with information that can be constructively applied in numerous areas which include:

(a) recognition of emerging bargaining strategies, patterns, or major systemic problems;

(b) development of valid work standards for the FMCS staff to improve both mediation effectiveness and the quality of staffing decisions;

(c) improvement of management controls to ensure achievement of objectives in such areas as initial contract bargaining or industry-wide negotiations which are critical in nature; and

(d) better quality decision making related to primary mission objectives via distributive processing, thus furnishing the best information quickly to field managers who are closest to the action.

2. Payroll/Personnel

We have been running our payroll and personnel systems on the Department of Justice computer for many years. The system, however, does not meet FMCS requirements. We have just successfully completed our first parallel run after bringing the system in-house. After one additional successful parallel run, FMCS will bring the system in-house and begin building our system to meet our requirements. Data which has been prepared manually will now be available in a more usable form.

3. Accounting/Budget

We are totally manual in these areas. We plan some simple automation that will permit some financial analysis not currently possible. We will start this project in FY 1984.

4. Arbitration

Another major application for automation in FMCS is our Arbitration Services operation. This activity is labor intensive. Automation will reduce manpower and improve the timeliness and quality of the service. We plan to implement an automated system in FY 1984.

SPACE REDUCTION

Question:

Mr. McMurray, in connection with the Services' space reduction plan, your testimony touched very briefly on some difficulties which have occurred over the process of releasing surplus space. What's the problem.

Answer:

The problems referred to in my earlier testimony concerned what appeared to be unusual delays in having surplus space deleted from our space inventory after notifying GSA the space was no longer required.

At the time of my earlier testimony, there were several cities which appeared to present such a problem. However, those problems have now all been resolved. What appeared to be a substantive problem a few months ago, was essentially a problem with reconciling the GSA quarterly billing documents with our own internal space inventory records. But to reiterate, the problems have been resolved and GSA has been most cooperative.

SPECIAL SERVICES

Question:

On page 37 of the justifications, you are requesting $180,000 for "special services", however there is no description of how these funds would be used. What are these funds for?

Answer:

The $180,000 will be used to restore clerical assistance to our field operations. During the reorganization in FY 1982 the Service's support personnel were extensively reduced. Through an agreement reached with the Office of Management and Budget, the Service was granted these funds to partially offset this large staffing reduction. Additional support personnel in the field will (1) reduce the current administrative burden on the district directors and allow us to utilize their talents more as mediators and managers, and (2) provide data input support for the newly automated mediator case processing system.

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF DONALD L. DOTSON, CHAIRMAN

ACCOMPANIED BY:
LEE D. VINCENT, COMPTROLLER
WILLIAM A. LUBBERS, GENERAL COUNSEL

INTRODUCTION OF WITNESSES

Senator WEICKER. The next agency is the National Labor Relations Board. We have with us the Chairman, Donald Dotson, and I will let the Chairman introduce those accompanying him.

Your statement will be included in the record in its entirety, and you can proceed any way you wish.

Mr. DOTSON. Good morning, Mr. Chairman. As you know, our agency has a somewhat unique organization. The General Counsel, who is responsible for the supervision and management of the bulk of our proceedings, Mr. Lubbers, is with us this morning. Also, Mr. Vincent, our Comptroller.

I have representatives of the major divisions, the Deputy Chief Administrative Law Judge, Executive Secretary, and others, in case you want to go into some detail.

I moved yesterday from the Department of Labor to the NLRB; I did not participate in the preparation of this budget. It was presented to the House by my predecessor, Mr. Miller. I am not conversant with it in any great detail. But in any event, it is Mr. Lubbers who is the most involved with it.

Senator WEICKER. That may be the luckiest thing that has happened to you, Mr. Chairman, as a matter of fact, not to be able to go into detail.

Mr. DOTSON. I just got through with the Labor-Management Services Administration budget which you heard a week or so ago.

I will submit my statement for the record and defer to Mr. Lubbers.

Mr. LUBBERS. Mr. Chairman, I do have a statement which I would like to submit for the record.

Senator WEICKER. Yes; would you like to go ahead and synopsize anything in there?

Mr. LUBBERS. Very briefly.

Senator WEICKER. Go right ahead.

HIGHLIGHTS

Mr. LUBBERS. As you know, the National Labor Relations Board is empowered to prevent unfair labor practices burdening commerce and conduct representation elections in which employees have the opportunity to vote as to whether or not they wish to be represented by a union for collective bargaining.

The Chairman alluded to the unique organizational structure that the NLRB has. The General Counsel is empowered generally to supervise all attorneys employed by the Board, other than administrative law judges and legal assistants employed by the Board and Board members, and other officers in the field.

Almost all of the cases that come to the National Labor Relations Board start out being processed by the field offices under the general supervision of the General Counsel.

Our budget request for this year is $134,158,000, approximately $7.5 million more than our expected funding for fiscal year 1983. This is approximately a 6-percent increase in our budget over our expected funding in fiscal 1983.

Of this, about $2.2 million is for increased rental charges levied on us by GSA for almost exactly the same space that we now have.

The budget will enable us to increase our full-time equivalent employment by approximately 80 staff-years which is about a 2.9-percent increase over our expected 1983 end-of-the-year full-time equivalent employment.

This approximately 6-percent increase in the budget will enable us to process an expected increase in caseload of around 6 percent over what we expect to take in in fiscal 1983.

In fiscal 1982, we had a rather drastic drop in our caseload which was unpredicted by us or by OMB or even by any other authority in the field. And this committee may very well wonder as to the validity of our prediction for fiscal 1984.

We predicted approximately the same increase in caseload for fiscal 1983, the year that we are now operating in, with almost half the year gone by. And at this point, the increase in our caseload that we have predicted for 1983 is taking place with respect to the unfair labor practice cases. It is not taking place quite yet with respect to the representation cases.

But as the economy rebounds, I think the increase in unfair labor practice cases we are now experiencing indicates that we have to plan for the increase in 1984.

We think we have a tight budget with respect to that. We are increasing staff by quite a bit less than our expected increase in caseload.

Our agency does have a longstanding record of economical use of our funds, of efficiency and productivity. And we do turn money back if we don't use it.

Senator WEICKER. I don't wonder, really, as to the aberration of 1983 and also the other labor services. When times are as tight as they have been, people are doing everything they can to keep the bread on the table.

Mr. LUBBERS. Yes.

Senator WEICKER. And by the same token, I will predict a direct correlation between the recovery and your activity.

Mr. LUBBERS. Well, we expect there will be a fairly close correlation.

EXPEDITIOUS HANDLING OF CASES

Senator WEICKER. Tell me something—just as a matter of general question—and I don't mean to exhibit a bias, but rather only report what I hear, and I think I have fairly good relationships with my friends in labor, as much as is possible, being a Republican. But the common complaint is—and I was wondering if there was some deficiency in the law or deficiency in terms of staffing of the NLRB—that apparently the tactic, at least viewed from the labor viewpoint, is that the corporations just grab ahold of this system and try to wear them down, if you will.

Is there something wrong in the legislation? Is there something wrong insofar as the Commission itself is concerned that these matters can't be resolved in an expeditious way?

Mr. LUBBERS. Well, I would say most of the matters are actually resolved expeditiously. About 90 percent of the cases that come in are resolved one way or another within a median of 40 days.

Senator WEICKER. That is nice to know.

Mr. LUBBERS. You have to understand perhaps a little bit of the disposition pattern of our cases. We are expecting 41,000 unfair labor practice cases for fiscal 1984.

Senator WEICKER. How many?

Mr. LUBBERS. Some 41,600 unfair labor practices for fiscal year 1984. Generally speaking, about one-third of those will be found to have merit and maybe a little bit more. Our merit factor is running about 34, 35 percent. And that is fairly traditional. It seems to be the way it works out year after year after year.

The other 66 or 65 percent, give or take a few points, are either dismissed after investigation in the field or withdrawn by the charging parties. Of the ones that are found to have merit, there is traditionally anywhere from an 82 to 84, 86 percent—last year, we had 99 percent—settlement rate. So that those cases get resolved fairly soon.

Of the cases that finally come to full litigation, which averages around perhaps 2 to 3 percent that go all the way through the Board and the courts, those do take more time. And those are the cases where you could hear about the ability to wear down.

I think also maybe another factor, one of the reasons that the people that you have been talking to have this feeling is that in election cases, I think the percentage of union victories, elections that result in union representation, has been going down over the years. This probably is because of more sophisticated electioneering on the side of management, better lawyers, better crafted electioneering statements, and perhaps some greater leeway on the statements they can make.

Currently, union election wins have been slowly dropping.

AUTHORIZED STAFFING LEVELS

Senator WEICKER. You already answered about the caseload.

You are asking for an increase of 80 staff-years and an additional $7.5 million in budget authority. Yet, the justification charts do not show an increase in staff positions. Are you presently at your authorized position level?

Mr. LUBBERS. No; we are not at our authorized position level.

Senator WEICKER. Why not?

Mr. LUBBERS. Well, I don't know that we have ever been at our full authorization level. This is essentially an OMB figure.

I think our Comptroller could give you more of the technical reasons for that.

Senator WEICKER. What are your hiring plans for 1984?

Mr. LUBBERS. Presently, we would expect if the caseload develops, to hire for about 80 staff-years more than the end-of-the-year employment in fiscal 1983.

PREPARED STATEMENTS AND SUBMITTED QUESTIONS

Senator WEICKER. I have other questions which I will submit for response for the record. Otherwise, thank you very much, gentlemen.

[The information follows:]

STATEMENT OF DONALD L. DOTSON

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to present the Agency's budget request for Fiscal Year 1984. This is my first appearance before this Committee as Chairman of the NLRB, and I am pleased to be here. In accordance with standard procedure, the Agency has already submitted to you a detailed Fiscal Year 1984 Justification. But, with your permission, I would like to touch briefly on some of the highlights of that Justification and make a few other observations as well.

For Fiscal Year 1984, the NLRB is requesting an appropriation of $134,158,000, compared to 1983 funding of $124,045,000 provided by the final 1983 Continuing Resolution. The $124,045,000 does not include the current estimate of $2,569,000 for a Pay Act supplemental appropriation which is expected to be approved later this year.

The budget presented to you today projects that the NLRB's case intake in 1984 will increase by about 6 percent, staff by about 2.9 percent and funds by just under 6 percent. The case intake projections for 1984, the total Agency workload of unfair labor practice charges and representation petitions, is for a level of cases about equal to that realized in 1978, and the staff years requested to handle this projected 1984 workload are fewer than were employed back in 1978.

There is no complete explanation for the underlying reasons for the NLRB's continuing long-term caseload growth, nor for the recent slowdown in case intake, except that the current recession may have had a case intake reducing effect that has not been present in past recessions.

Based on the Board's case intake history, however, the budget anticipates that this unusual decline in cases filed will not continue. A rebounding economy is likely to generate higher intake for the remainder of FY 1983 and for all of FY 1984. Accordingly, it is anticipated that total unfair labor practice case intake and representation filings will increase in 1983 and 1984 over the 1982 level.

The budget request before you for 1984 represents the result of NLRB's best current estimate of: the number of cases that will be received in 1984; how the cases will be disposed of (that is, by settlement, dismissal, withdrawal, trial, etc.); the number of staff needed based on current and targeted rates of productivity; and, finally, the direct and support costs required to handle the anticipated caseload.

The major portion of increased 1984 funding is sought for additional employment to allow the Agency sufficient staff-years of employment to process its expected 1984 caseload. The gross increase is just under 6 percent, which includes, for example, all forms of compensation, including employee transfer costs, essential training, incentive and other performance awards and bonuses. It includes the large increases required by the extension of Medicare coverage to federal employees and the executive pay raise. Most of the remaining funds are necessary to meet the costs of additional hearings, including witness fees and reporting costs, casehandling investigation expenses, and announced cost increases on items such as existing leases for Agency space, which by the way constitutes almost 29.2 percent of the requested increase in funds.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. The General Counsel has statutory responsibility for the investigation and prosecution of cases. He will separately be addressing these concerns.

ADMINISTRATIVE LAW JUDGES

NLRB data show that the Judges issued 1,105 decisions, closed 1,066 hearings and obtained 544 settlements in 1982. But the best news is that the number of cases pending a trial before the Division of Administrative Law Judges declined from more than 3,100 to under 2,050. This is the first time in years that the Agency has been able to reverse the seemingly inexorable increase in trials pending.

A significant factor in the Agency's casehandling success is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical not only because every 1 percent increase in the number of meritorious case settlements eventually saves the Agency over $1 million in litigation costs but also because the parties themselves avoid the delays and costs inherent in the formal trial process. Many of these cases, if not settled, would not only have to be tried before an Administrative Law Judge, but would be appealed to the Board and the Courts of Appeals as well.

For 1983, we expect to maintain the current number of Judges and to hire just a few more in 1984. Although Agency hiring was sharply reduced in 1982 and attrition reduced our complement of Judges to about 110, the Agency's proposed staffing is projected to be sufficient. Additionally, we are implementing in

1983 the legal clerk program, deferred in 1982, which will provide some Agency Judges with fully qualified legal assistants under their supervision to speed decision writing. The assistants will pay for themselves if we can reduce a Judge's average per-decision writing time by only 3 days.

BOARD MEMBERS' STAFFS

Turning now to the Board Members' workload, under present Budget estimates the Board will be faced with the sizeable task of deciding 1,227 contested unfair labor practice cases in 1983 and 1,483 in 1984. In 1982, the Board decided 1,051 unfair labor practice cases and 495 election cases. Present estimates call for the Board to decide more than 574 contested representation cases in 1983 and 651 in 1984.

In addition to the contested election cases, the Board also rules on several hundred other appeals and requests for review of decisions by the Regional Directors.

CONCLUSION

As you know, I have been Chairman of the NLRB only since the 8th of March. But I come to the job with some experience and knowledge of Board activities and operations and with a healthy respect for the job that lies ahead for the Agency and for me. With respect to this budget request for FY 1984, I have had limited opportunity to reflect on it. While I am not able to address many of the items in detail at this time, I believe it to be a reasonable request.

I would ask that the committee not let my lack of familiarity with the request influence your approval of it. It is my intention to assure that the Agency will do all that is possible to resolve labor disputes within its jurisdiction quickly and professionally. I offer you my further commitment to assuring that its mission is carried out fairly and in as cost-effective a manner as is possible.

STATEMENT OF WILLIAM A. LUBBERS

Mr. Chairman and distinguished members of the Subcommittee: As NLRB General Counsel, I appreciate this opportunity to testify before you in support of the National Labor Relations Board's budget request for Fiscal Year 1984.

The Agency's budget request for Fiscal Year 1984 is $134,158,000, an increase of $7,544,000 over the 1983 Continuing Resolution funding of $124,045,000 and the 1983 pay act supplemental, currently estimated to be $2,569,000, which is expected to be submitted later this year. The 1984 request for $134,158,000 is less than 6 percent over 1983 and will provide funds to support a total average employment of 2,830 in Fiscal Year 1984, up 2.9 percent. This employment, in turn, will be needed to carry out the casehandling and related functions of the Agency, which are estimated to be 6 percent greater than 1983. Total unfair labor practice case intake for 1984, all of which is initially processed in one of the regional offices under my responsibility, is estimated at 41,806. Similarly, representation petition filings are expected to reach 11,247.

Because of the importance of the Office of the General Counsel in the casehandling and administrative functions of the Agency, I would like to take this opportunity to review in a little greater detail the responsibilities of my office, highlight accomplishments for Fiscal Year 1982, and talk about the outlook for Fiscal Years 1983 and 1984.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices and in that capacity receives unfair labor practice charges, investigates such charges, determines their merit, and settles or prosecutes them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions; determine appropriate units for employee representation; conduct elections; resolve allegations of objectionable election conduct, and certify election results. Additionally, the General Counsel enforces Board decisions administratively or by litigation in the Circuit Courts of Appeal.

A close look at the NLRB'S casehandling "pipeline" underscores the principal challenge to the effective operation of the Office of the General Counsel. The Agency has no real control over its case intake; it must respond to all inquiries concerning possible violations of the National Labor Relations Act.

These inquiries are made at our thirty-three regional offices, 3 sub-regional offices, and 16 resident offices.

When an unfair labor practice charge is filed, it is investigated for merit and, if found to be meritorious, the parties are encouraged to settle without further action. Non-meritorious cases are dismissed or withdrawn. If a case is found to have merit and no initial settlement is reached, then a complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeal. At any point in the process, the parties may reach a settlement agreed to by the Agency, alleviating the need for further proceedings.

The nature of the case "pipeline" and the resultant workflow is such that the Agency is faced with three principal challenges in its ongoing efforts to fulfill its role to help facilitate the nation's economic growth. These challenges are: first, to reduce the number of case filings by carefully screening out non-meritorious cases; second, to maintain the NLRB's traditionally high settlement rate; and third, to continue to develop more efficient means of casehandling in order to process fairly the maximum number of cases, given the amount of available budget authority.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to screen out non-meritorious cases at an early stage, thus reducing the amount of Agency resources which would otherwise be expended in resolving these charges. It is through the Agency's Regional Office administration of this important program that tens of thousands of persons are provided with their first guidance as to what this Agency can and cannot do for them, whether or not they file a charge. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1982 this Agency's field offices handled approximately 201,000 such contacts from employees, unions and employers; of these, only about 13,000 resulted in the filing of an unfair labor practice charge.

The second challenge, maintaining the high number of settlements, involves a great deal of preparation, time, and effort on the part of Agency casehandling professionals, including field examiners, attorneys, and top Regional management. Before, during and after hearings, the Administrative Law Judges also aid the parties in an effort to reach an equitable settlement.

The final challenge faced by the Office of the General Counsel and the rest of the Agency is the ongoing necessity of quickly processing the maximum number of cases within the NLRB's budget constraints with fairness to all concerned parties. The NLRB has been particularly successful for over a decade at increasing its level of productivity. Its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management, the Comptroller General and others.

Accomplishments in Fiscal Year 1982

The record of the Office of the General Counsel in 1982 reflects the careful attention we give to our obligations under the NLRA and to our obligation as stewards of public funds. With the largest staff and greatest amount of casehandling activity, the Regional Offices naturally had to bear the brunt of the Agency's effort to conserve its 1982 funds. In addition to the tightest constraints on expenditures, only the most urgent hiring was permitted. These offices had to perform despite both professional and clerical shortages. No operation can sustain its effectiveness for long in this type of environment, yet, for 1982, I am particularly proud that both the Washington and Field offices under my responsibility were able to maintain a high level of service to the public.

The following are a few of the operating results of this past year.

1. Case Intake. The Regional Offices accepted and began processing approximately 47,115 total cases. The 37,685 unfair labor practice cases represented a decrease of 13.7 parcent from the near record 43,680 filed in Fiscal Year 1981. There were 9,430 representation cases filed, a decrease of 28.0 percent from 1981.
2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 34.1 percent were found to have merit; this is down slightly from the 34.2 percent in 1981. The settlement rate was a record 99.0 percent, up from 85.6 percent in 1981. A total of 4,149 complaints were issued in a median time of 45 days, a one day increase from 1981. The Agency closed 47,115 cases, a 14 percent decrease from 1981.
3. Litigation Results. The 80.8 percent of Board and Administrative Law Judge decisions won in whole or in part equaled the percentage achieved in 1981.

4. Representation Case Performance. The regional offices conducted about 6,000 elections of which 80.7 percent were pursuant to agreement of the parties; in 1981, the corresponding figures were 7,659 and 80.2 percent. Regional directors issued 1,147 decisions in contested cases after hearing in a median time of 41 days, compared with the 1,826 decisions, issued in a median time of 39 days, in 1981. There were 1,454 initial representation and union deauthorization hearings in 1982, compared with 2,217 in 1981.
5. Productivity. Unavoidably, productivity declined somewhat in 1982 as funding constraints limited the Agency's ability to train, transfer and fully staff any but the most critical positions. Production is scheduled to return to normal in 1983 and increase 2 percent in 1984.
6. Appellate Litigation. In Fiscal year 1982, 424 cases were decided by the United States Courts of Appeals compared with 479 in Fiscal Year 1981. Of these, 79.7 percent were won in whole or in part compared with 80.2 percent in Fiscal Year 1981; 7.8 percent were remanded entirely compared with 6.0 percent in Fiscal Year 1981; and 12.5 percent were entire losses compared with 13.8 percent in Fiscal year 1981.

These are only a few of the highlights, though many other examples could be cited to show the effectiveness of the Agency's Washington and Field staffs. The Justification provides additional material.

Outlook for Fiscal Year 1983

For 1983, the offices under the General Counsel are being replenished with supplies, those offices that are short of staff are in the process of hiring, and plans for intensive training programs are well underway. The Agency expects case intake to begin to rise as the economy recovers and the NLRB must be prepared for the consequences of that increase in workload or risk thrusting an unnecessary impediment in the way of business and labor's efforts to get our nation back to work.

Outlook for Fiscal Year 1984

Our case intake experience tells us that, as the country comes out of the current economic recession, it is likely that the NLRB's casehandling burden will increase. This increase in workload has already begun and is expected to continue into 1984. This return to a more normal economy will bring about an increase in cases and a return to a more traditional disposition pattern. Thus, for example, despite our efforts we cannot expect that the settlement experience of FY 82 will continue in 1984 and we expect a return to a settlement rate closer to the more traditional 83-86 percent level. This will require a much greater demand on Agency resources in Fiscal Year 1984 than the increase of 6 percent in case intake might indicate. However, the 1984 Agency employment increase of 2.9 percent is expected to be adequate, especially with the Agency's expectation of substantial results from the various training programs now underway and the beneficial result of properly balanced staffing.

Conferences and training are an integral part of the career development process for all Agency employees and essential to maintaining quality performance in the complex field of labor law. They were eliminated in 1982, but the Agency is giving them a very high priority in 1983 and 1984. Also receiving emphasis are exchange and detail programs which serve the dual purpose of allowing employees to experience different types of problems and moving people to areas of the country where their expertise would be most valuable. The reinstatement of these and other programs suspended as a direct result of NLRB's efforts to conserve funds during Fiscal Year 1982 and continued efforts on the part of Agency employees to control costs while maintaining the historically high quality of work output will assure that the NLRB is well prepared to effectively meet the challenges expected in 1984.

As NLRB General Counsel, I pledge that my staff and I will continue to do our best to meet the challenges that are certain to present themselves in 1984.

I would again like to thank the Committee for the opportunity to appear before it.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CASELOAD ESTIMATES

Question: In reviewing your justification, I noted that your caseload was considerably below the estimates for the last few years. How do you make your estimate of caseload on which your appropriation request is based?

Answer: Each year each Regional Director in charge of an Agency field office is asked to estimate the amount of relevant labor activity expected in the geographic area for which that Regional Director is responsible and his or her expectation as to what case intake that activity will generate. These estimates are tabulated and carefully reviewed by the Agency's headquarter's staff, which uses them to project reasonable estimates of what our future intake, by type of case, is likely to be.

The decline in our 1982 case intake simply was not foreseen. In recent years the estimates of case intake, particularly the numbers of representation petitions, have been higher than the actual figures turned out to be. A few years ago we assisted the Office of Management and Budget in an effort to develop a reliable mathematical model from which to generate our case intake estimates. OMB found that our estimating method, based on former years' figures, was more accurate than any model that they had developed.

The key concern is that the Agency have the necessary resources to handle actual workload based upon the most reasonable estimates. In those years where the Agency's resources have exceeded the cost of processing our workload, the Agency has returned the unused funds to the Treasury.

Question: What is your projected caseload for this year and how has that affected your budget request?

Answer: Our 1983 caseload is projected to be 39,440 unfair labor practice (ULP) charges and 10,610 representation petitions. Currently, the ULP charges actually received are slightly over estimate, but the representation petitions are below the estimate.

Question: What will be the NLRB's response if your caseload exceeds the amount that you are prepared to handle according to your estimates?

Answer: If the Agency workload materially exceeds the budget estimates, we would first make every effort to defer discretionary expenses and activities to maximize the resources applied to casehandling. Then, if no supplemental resources were possible, the Agency would handle, in order, those cases which are accorded statutory priority, such as cases involving work stoppages and picketing, next other significant unfair labor practice charges, and then election matters would be accorded as high a priority as possible.

PRIORITY OF CASES

Question: How do you prioritize your cases?

Answer: The National Labor Relations Act itself establishes certain priorities. Section 10(l) accords priority to secondary picketing and similar types of cases in which third parties are enmeshed in disputes which are not their own. These types of cases, which often occur in the construction industry, constitute about eight percent of our workload. We give these cases top priority at all times beginning with expedited initial investigations.

Section 10(m) accords the next level of priority to discharge cases. These disputes constitute about 45% of our unfair labor practice case intake. Thus, Sections 10(l) and (m), which make up over one-half of our unfair labor practice caseload, are accorded priority by statute. Also, Section 8(b)(7)(C) calls for us to conduct an expedited election in the relatively small number of cases each year in which an election petition is accompanied by a charge concerning recognitional picketing.

Section 10(i), though not according priority to a type of case, requests that District and Circuit Courts hear expeditiously, within 10 days if possible, any NLRB filed petition.

It has long been the view of this Agency that all election cases should be processed as quickly as possible, within the context of the statutory priorities just described, so that the more than 400,000 employees who vote in NLRB elections can cast their ballots and have questions of representation rapidly resolved.

Since the remaining cases also often present significant issues affecting statutory rights and duties, we believe they should be processed promptly as well. For this reason, we seek an appropriation adequate to maintain the processing of all cases in a timely manner.

For further detail regarding the priorities given Agency cases, we are submitting for the record our Casehandling Manual Section 11740 through 11740.2, which covers the priority of cases.

This information follows:

PRIORITY OF CASES **11740-11740.1**

11740 **Priority of Cases:** All cases are handled promptly but preference is given to those cases which have priority under the statute.

11740.1 **Statutory Priority Cases:** (See Section 10(1) and (m) of the Act.) The following types of cases have statutory priority:

8(b)(4)(A), (B), and (C) cases

8(b)(4)(D) cases involving 10(1) injunctive relief

8(b)(7) cases, including petitions under 8(b)(7)(C) and Section 9(c), and charges affecting the disposition of 8(b)(7) cases or petitions thereunder

8(e) cases

8(a)(3)

8(b)(2)

In determining which of several statutory priority cases should be given priority within the particular class or category, consideration shall be given to the particular facts of each case, including the date of filing, the nature of the alleged violation, its impact upon the parties or the public, the type of relief indicated, and any other factors which would effectuate the policies of the Act in relation to priority in case handling.

In this connection, where the need for injunctive relief is indicated in a particular statutory priority case, the preliminary investigation of such case, including the further processing to injunctive relief, shall normally take precedence over other matters in the office since time is of the essence where such relief is indicated. While all statutory priority cases must be handled expeditiously, any determination as to the manner of implementing this objective must in part be predicated on recognition of the time-factor problems relating to each. For instance, in an "expedited" election situation under Section 8(b)(7)(C), an interval of several days would normally be involved between the time of the direction of the election and the holding of the same during which the priority nature of the case would be of little practical significance; similar considerations are involved when evidence in an 8(a)(3) or 8(b)(2) case is unavailable for a short period of time, etc.

11740.2 Order of Priority Based on Agency Policy: Those cases not referred to in 11740.1 as having statutory priority should be handled in accordance with the following order of priority which is based on agency policy considerations:

a. Any other C case involving 10(j) injunctive relief. (The priority status of cases involving 10(j) injunctive relief is determined when the need for such injunctive relief is first indicated.)

b. Other 8(b)(4)(D) cases.

c. Other charges which are delaying the disposition of an R case (e.g., "blocking" C case).

d. Cases in which a work stoppage or lockout is in effect or is imminent and there is a direct relationship between the stoppage or lockout and the charge or petition.

e. R cases involving a schism issue.

f. Other R or UD cases.

g. Other C cases.

No action should be suspended in any case except for action on a case of higher priority. Thus, the possibility of settlement should not be allowed to impede the orderly processing of a case.

Where in an 8(b)(4)(D) case 10(l) injunctive relief is indicated, it is treated as a statutory priority case. Where such injunctive relief is not indicated, the priority of an 8(b)(4)(D) case is no longer considered statutory in nature; such cases are accordingly given priority in the manner described above within the Agency policy category.

Where petitions under Sections 8(b)(7) and 9(c) of the Act are "blocked" by a C case, the latter should be investigated promptly and given priority over all other cases except as listed in 11740.1, since the disposition of the "blocking" charge affects the further processing of the petition and the statutory priority 8(b)(7) case. Similarly, an 8(a)(2) charge filed in the context of an 8(b)(7) case would require a prior determination since no 10(l) restraining order in the 8(b)(7) case could be sought if it is determined that the 8(a)(2) case has merit. (See Section 10(l) of the Act.)

JURISDICTIONAL STANDARDS

Question: At last year's hearings you discussed the issue of your jurisdictional standards and the various dollar criteria which determine whether you can take a case. The point made was that the effect of inflation has been to bring very small enterprises into the stream of your workload.

In view of your belief that an effective NLRB is justified by its prevention of serious economic losses, -- Is is consistent for you to attend to matters which involve very small economic activity?

Answer: In NLRB v. Reliance Fuel Oil Corp., 371 U.S. 224 (1963), the Supreme Court stated:

> "This Court has consistently declared that in passing the National Labor Relations Act, Congress intended to and did vest in the Board the fullest jurisdictional breadth constitutionally permissible under the Commerce Clause. (Citations omitted) The Act establishes a framework within which the Board is to determine whether proscribed practices would in particular situations adversely affect commerce when judged by the full reach of the constitutional power of Congress. Whether or not practices may be deemed by Congress to affect interstate commerce is not to be determined by confining judgment to the quantitative effect of the activities immediately before the Board. Appropriate for judgment is the fact that the immediate situation is representative of many others throughout the country, the total incidence of which if left unchecked may well become far-reaching in its harm to commerce.'" (Citations omitted)

Since 1950, the Board has exercised its descretion whether to assert jurisdiction in particular cases by the use of dollar volume jurisdictional standards. See, for example, Hollow Tree Lumber Company, 91 NLRB 635 (1950); Jonesboro Grain Drying Cooperative, 110 NLRB 481 (1954); Siemons Mailing Service, 122 NLRB 81 (1958).

In 1959, Congress amended the Act by adding Section 14(c)(1):

> "The Board in its discretion, may, by rule of decision or by published rules adopted pursuant to the Administrative Procedure Act, decline to assert jurisdiction over any labor dispute involving any class or category of employers, where, in the opinion of the Board, the effect of such labor dispute on commerce is not sufficiently sub-

> stantial to warrant the exercise o jurisdiction: Provided, that the Board shall not decline to assert jurisdiction over the labor dispute over which it would assert jurisdiction under the standards prevailing upon August 1, 1959."

By that action, Congress both ratified the Board's policy of exercising its statutory authority to decline to assert its full statutory jurisdiction, and placed a governor on the exercise of that discretionary authority with respect to those labor disputes governed by those of its jurisdictional standards which were in place on August 1, 1959.

It seems highly probable that the effects of inflation since those standards were adopted by the Board have brought some enterprises which would not have met those standards when they were promulgated in 1958 into the stream of our workload today. It is unlikely, however, that those inflationary effects alone brought those enterprises within the scope of the Board's statutory jurisdiciton as established by Congress.

It thus appears that the proviso to 14(c)(1) tends to foreclose the Board from a reexamination of whether the jurisdictional standards adopted in 1958 still serve as the proper dividing line between assertion and non-assertion of its statutory jurisdiction. Whether this brake upon the Board's discretionary authority to establish such standards still serves the Congressional purposes that led to its enactment seems to be primarily a legislative question, although we would conclude that Board processes would be enhanced if the jurisdictional dollar limits established in 1959 were brought to current value in recognition of the impact inflation has had on these figures.

NUMBER OF ADMINISTRATIVE LAW JUDGES

Question: During last year's testimony you stated that your number of on-board Administrative Law Judges was "well below the number earlier projected for the agency". Is that still true?

Answer: Currently, we have 109 administrative law judges working for the Agency compared to a budget ceiling of 125. This number, together with a record settlement rate and reduced case intake, has been sufficient to reduce the backlog of pending trials by over 1,000 cases in 1982. So far, in 1983, the number of pending trials is continuing to decline, but more slowly. The reduction has been achieved in part by active participation of the judges in settlement of disputes and by the issuance of fewer complaints last year. We estimate employing this year about 112 staff years of judges, to be achieved by appointing enough judges to reach a total complement of perhaps 114 by year end. Present estimates of workload contemplate that this will yield a sufficient number of judges to remain current.

CHANGES IN WORKLOAD

Question: Pages 16 and 17 of your justification show a long-term change in the proportion of your workload which consists of unfair labor practices compared to representation or election petitions. What does this mean in terms of the mission of the NLRB?

Answer: The shift to a much larger proportion of unfair labor practice cases has significantly affected the staff resources needed by the Agency, since the average work time required to process an unfair labor practice case is about two and one-half times what is normally spent handling a representation case.

While there may be a number of explanations for changes in the mix of our work, the most important point is that all cases are filed voluntarily and our mission continues to be to respond promptly and effectively to resolve the issues presented so as to effectuate the purposes of the Act.

Much of what we can say on this subject must be based on secondary information as we do not conduct research into the economic factors which underlie our case intake. That is, much of what we know about the sources of case intake must be derived from the information we gather in the course of investigating and disposing of specific cases.

One of the changes which has accompanied the growth in unfair labor practice charges is a substantial increase in the proportion of charges, compared to 10 years ago, filed by individual employees, rather than by employers and labor organizations. On the other hand, the proportion of charges filed by unions and employers in fiscal 1980 was identical to that found 20 years ago, in fiscal 1961.

Representation elections petitions are currently being filed at about the same rate per year as 20 years ago. The proportion of elections won by unions, however, has declined from 56.1 percent to 45.7 percent during that period. Over the same 20 years, refusal to bargain charges have increased to 31.5 percent from 20.6 percent of the charges filed against employers. Some of these charges pose issues of union representational status which might otherwise have arisen in representation cases.

RENT AND OTHER SERVICES

Question: Your 1984 increase for GSA rent is $2.2 million, or nearly 30 percent of that total increase you are asking for. What is the justification for such an increase?

Answer: Of the total increase of $2.2 million, almost 94 percent or $2.062 million results from General Services Administration imposed cost increases for existing space. We defer to GSA as to the reasons this has occurred.

Question: Have you increased your space?

Answer: We will not be obtaining additional office space. We are requesting one new hearing room. GSA has requested that we make a few other changes in existing space in 1983, including exchanges of space in one location for space in another location. These changes will add about $138 thousand to our rent bill in 1984.

Question: Are there changes in Other Services which are included in your rent?

Answer: There is one change to Other Services that was formerly included in our GSA rent bill. We currently are estimating a Guard Services cost increase of roughly $100,000 as a result of the General Services Administration decisions to reduce or eliminate building protective services from the basic rent charge and requiring the Agency to pay separately for these security services.

Question: Did you turn back to the Treasury any of your appropriated funds in FY '81 and '82?

Answer: Yes, in 1982 we returned to the Treasury an unobligated balance of $54,000. In 1981, the unobligated balance was $956,000. The year 1982 was subject to budgetary limitations with the Agency on full attrition to meet its funding authority. In 1981, funds were returned to the Treasury principally because the expected workload of the Agency for that year did not materialize.

TRAINING PROGRAMS

Question: What is the status of your training programs?

Answer: As you know from our testimony over the years, the Agency places emphasis on the training of its employees. The fields of labor law and Agency administration and procedures are complicated and ever developing. A key component of the Agency's ability to maintain productivity is the contribution made possible by our maintenance of high levels of staff capability. The level of staff capability is maintained and improved upon by the variety of training programs used.

The Agency currently is involved in efforts to improve the delivery of needed training to its employees, while at the same time controlling the cost of these programs. One teaching device which we are developing now is an extensive library of audio and video training tapes covering topics ranging from basic orientation to sophisticated legal issues. Use of these is estimated to reduce this year the Agency's expenditure for training conferences. In 1983, we anticipate holding a Regional Directors' and an Office Managers' conference in June, a new employee and new supervisor training conference, a compliance officers' training conference in September, and a Washington administrative training session in May. We expect that, with the training programs planned for 1983, and with the proposed budget for 1984, our objectives and the legal requirements for training will be accomplished.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXIMRE

LEGAL CLERK PROGRAM

Question: Mr. Dotson, the budget justifications do not make any specific reference to the "legal clerk program" which you mentioned briefly in your statement. How many clerks do you anticipate hiring in 1983 and at what salary?

Answer: We are now in the process of implementing the law clerk program in the Division of Judges. Six full time graduate clerks have been hired for our Washington judges, two in New York, and two in San Francisco. All but one were hired at the GS-9 level. One with suitable prior experience was hired as a GS-11, the maximum classification for the position. The appointments are limited to two years. Since the program is new and we want to evaluate its worth before implementing it further, we do not anticipate hiring additional full time law clerks for our judges in Fiscal '83.

Question: What will the ratio be? One for how many judges?

Answer: The law clerks are being assigned on a ratio of one clerk for two judges. It is anticipated that the assignments will be permanent for the duration of the clerks' employment.

Question: You say that these clerks would be cost effective if they reduced the judge's writing time for each decision by only 3 days. What are your projections in terms of dollars saved and number of cases concluded?

Answer: Excluding annual and sick leave, and Federal holidays, the average decision is written now in a range from about 14.5 to 17.2 days. Thus, if one considered that the average work year for a judge (or any long-time employee) is about 220 days, again excluding known time off, then a maximum of about 12.8 to 15.2 decisions could be written annually by a judge who devotes "full time" to that activity. The cost including benefits would be around $70,000.

If the time per decision could be reduced by 3 days, then as many as 2.7 to 3.8 additional decisions per judge could be issued yearly. The value of such a productivity improvement would be $29,600 to $35,000 for the two judges served by a legal clerk. We anticipate that the cost of assigning one legal clerk to two judges, including benefits, would range from about $22,300 to $27,000. Thus, we believe that the program will more than pay for itself, and, if productivity can be accelerated further, commensurately greater benefit will be derived.

GAO REPORT - ADMINISTRATIVE LAW JUDGES

Question: Mr. Dotson, what has the Board done to correct the deficiencies in its case processing system which were identified several months ago by GAO? For example, GAO found that the Board has been unable to hire enough administrative law judges to adjudicate cases in a timely fashion and the productivity of these judges varies significantly. Moreover, while the Board informally resolves about 90 percent of its cases within 40 days, lengthy delays occur in cases which have formal complaints issued. Can you tell us how these issues were resolved?

Answer: During the past year, case processing delays were reduced significantly without hiring any additional Administrative Law Judges. Thus, as of October 1, 1981, there was a backlog of 3,053 unfair labor practice cases awaiting hearing, and delays of 8 to 10 months or more between issuance of complaint and hearing were usual in most Board Regions. There was also a backlog of 5.3 decisions per judge in cases heard but not decided and an average of 160 days elapsed time between hearing and decision. As of October 1, 1982, the backlog of cases awaiting hearing had declined to 1,975, and has now declined (as of March 1, 1983) to 1,836. Delays between issuance of complaint and hearing were cut in half by October 1, 1982, and further reduced by March 1, 1983, so that in only three regions is there a delay of as much as five months and in most Regions only 2 to 4 months. The backlog of cases heard but not decided was reduced to 4.3 per judge by October 1, 1982, and is still at that figure in March, 1983. The average elapsed time between hearing and decision was reduced to 146 days. During this period, the total complement declined through attrition from 115 to 112 Administrative Law Judges.

A major factor which contributed to the reduction in case processing time was the unexpected decline in case intake which eased the pressure on the docket that had developed with several years of steady growth. A second factor was the increase in the settlement rate during the year in which the Administrative Law Judges played a substantial role. Starting on October 1, 1981, the Board changed its practice and gave Administrative Law Judges discretion to make prehearing telephone conference calls for the purpose of exploring settlement possibilities, narrowing issues for hearing, and disposing of preliminary matter, particularly in relation to subpoenas. During fiscal year 1982, Administrative Law Judges participated in approximately 950 settlements, an increase of approximately 250 over the previous year. (Note that the 544 settlements shown in our statements as obtained by Administrative Law Judges reflect only settlements obtained after a hearing has opened; the remaining 400 settlements are those obtained either by conference call or at the hearing site before the opening of a hearing. While these are counted in overall Board statistics as settlements obtained by Field personnel, the role of Administrative Law Judge in obtaining them is often considerable.)

Variations in productivity of individual judges continue and probably will always be present to some extent, as individual talents and working speeds in any group vary. Average decisional output per judge decreased from 12.38 to 10.62 last year, but with the increase in settlements average dispositions per judge increased slightly from 19.27 to 19.60. The decrease in decisional output is partially offset by the fact that the average transcript pages per decision issued increased to an all time high of 508 pages. With increased settlements, it appears that fewer shorter easier cases are going to hearing before the Administrative Law Judges and that the cases which go to hearing and require written decisions are the longer more complex cases. Indeed, during fiscal year 1982 several of our judges who regularly have been among the leaders in numbers of decisions written became tied up in protracted hearings which made it impossible for them to maintain their former pace of decision writing. Within the limits permitted by the Administrative Procedure Act, the Chief Judge monitors productivity of individual judges and seeks to spur greater decisional activity.

Our experience during the first 5 months of fiscal year 1983 has been mixed. There has been an upturn in the filing of unfair labor practice charges, the decline in the backlog of cases awaiting hearing has slowed, and there has been a slight further decline in the complement of Administrative Law Judges. However, the interval of time between issuance of complaint and hearing has decreased.

While progress has been made with respect to the issues addressed in the GAO study during fiscal year 1982, it cannot be said that these issues have been resolved. Rather their resolution is dependent primarily upon the course of the unfair labor practice caseload as well as upon the productivity of the Administrative Law Judges.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF ROBERT A. ROWLAND, CHAIRMAN

ACCOMPANIED BY:

E. ROSS BUCKLEY, GENERAL COUNSEL
IRVING SOMMERS, ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE
LARRY HOSS, DIRECTOR, FINANCE AND ADMINISTRATION
JAMES MEADOWS, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Next, we have the OSHA Review Commission, Mr. Robert Rowland, Chairman.

Mr. ROWLAND. Good morning, Mr. Chairman.

Senator WEICKER. Mr. Rowland, proceed. Your statement in its entirety will be placed in the record.

And you might introduce those colleagues that accompany you at the table.

Mr. ROWLAND. On my left at the end is Ross Buckley who is my General Counsel.

And this is Irving Sommer who is my Chief Administrative Law Judge.

On my right is Mr. Larry Hoss, who is Director of Finance and Administration.

And James Meadows, my Executive Director.

Senator WEICKER. Proceed.

Mr. ROWLAND. I will let my statement stand if that is all right, Senator, and am ready for questions.

CASES ON REVIEW

Senator WEICKER. Has there been a decline in the number of cases chosen for review by the commissioners?

Mr. ROWLAND. There has been a decline. For fiscal year 1982, there were 99 cases directed for review compared to 128 cases directed for review in fiscal year 1981.

Is that what you are talking about, the cases directed for review?

Senator WEICKER. Right. Why?

Mr. ROWLAND. I think because of a combination of reasons. The overall caseload before the Commission has been decreasing. Also, I think probably by selective process, the number of difficult cases or cases that

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present questions of law that the Commission wants to write on are down proportionately.

In addition to that, I think there has been a conscious desire by the Commission members to try to restrain themselves to not direct cases that do not have some important law question or not just obvious erroneous judgments in an attempt to get our case backlog down, which is still higher than I would like for it to be.

Senator WEICKER. What is your backlog?

Mr. ROWLAND. At the present time, I think it was 166 cases at the end of February and it is 163 cases as of today.

COMMISSION STAFF AND PHILOSOPHICAL DIFFERENCES

Senator WEICKER. On pages 10 and 11 of your justification, you list as one of your accomplishments a cut from 351 pending cases in fiscal year 1981 to 195 cases in fiscal year 1982.

But then, you go on to say that case output did not reach projections due to, one, staffing losses; two, substantial philosophical differences among commissioner members; and, three, complex involved cases.

Now, I would like to have an explanation of that.

Mr. ROWLAND. Well, I think our staff is sufficient at the present time to handle the present caseload. There was a time that we did have some staff losses that cut into the preparation of cases in the General Counsel's office. I think that the decreasing caseload has provided an opportunity to overcome that particular problem.

The philosophical differences are a problem which probably will always exist to some extent. They do cause a lot of additional staff work and delay of decisions being issued when the differences of opinion result in more opinions written.

Senator WEICKER. Well, to me, that is exactly what a commission should be about. There obviously will be a difference of opinion.

Mr. ROWLAND. I think the present problem is we have three pretty sharp differences of opinion so it is hard to really move cases out. The majority is usually composed of my two colleagues, and even they have sharp differences. So often, the majority opinion will be two separate opinions and we end up with three opinions quite often on the same case.

While efforts are made to come together, that takes a lot of time, and it slows up the decision output.

OFFICE SPACE COSTS

Senator WEICKER. In reviewing your budget request, my attention was immediately drawn to an increase in your standard level user charges. The increase alone represents 6 percent of your entire $6.3 million request.

Would you give me an explanation on that?

Mr. ROWLAND. That is entirely an increase in office rent which is controlled by GSA. We have cut our rental space in the past year by 27 percent and are continuing attempts to reduce our present level. But as the leases came up for renewal GSA is increasing the rental costs.

Mr. Hoss. Yes; it is entirely rent.

APPELLATE CASES

Senator Weicker. How many of your decisions at the present time are being appealed?

Mr. Rowland. Let's see if I have a figure on that. Currently on appeal, Senator?

Senator Weicker. Yes.

Mr. Rowland. Three percent, approximately, of all Commission decisions are appealed to the appellate courts.

Senator Weicker. That is a pretty good record.

PREPARED STATEMENT AND SUBMITTED QUESTIONS

All right, I have further questions to propound for response for the record.

Thank you very much.

Mr. Rowland. Thank you, Senator.

[The information follows:]

Statement of Robert A. Rowland

Mr. Chairman, I appreciate the opportunity to present for your consideration the fiscal year 1984 appropriation request in the amount of $6,331,000, for the Occupational Safety and Health Review Commission. This request represents an increase of $15,000 and a reduction of 17 positions from the resource levels approved by the Congress for fiscal year 1983.

The workload of the Commission saw a significant decrease in fiscal year 1982 from fiscal year 1981. In fiscal year 1982, the Commission received 1,489 new cases, which was a decrease of 2,250 cases, or 60 percent from the fiscal year 1981 volume of 3,739 cases. Current expectations are that the Commission will receive an estimated 1,700 new cases in fiscal year 1983 and 1,800 new cases in fiscal year 1984.

The backlog of cases before the Commission's administrative law judges and the Commission members continues to decrease. The backlog of cases before the administrative law judges was 1,099 cases at the beginning of fiscal year 1982 and 499 at the end of fiscal year 1982. The backlog of cases before the Commission members was 264 cases at the beginning of fiscal year 1982 and 195 cases at the end of fiscal year 1982. We shall continue our efforts to reduce this backlog as expeditiously as possible, and our goal is to reduce the case backlog to a current level by the end of fiscal year 1984.

The significant decline in the caseload before the Commission is attributed primarily to the change in the post-citation policy by the Occupational Safety and Health Administration of the Department of Labor, in October 1980. As a result of this caseload decline, it was determined that resources of the Commission were in excess of those required to fulfill the Commission's functions and it was necessary to initiate a reduction in force action during the second quarter of fiscal year 1982, which affected 31 full-time permanent positions, or approximately 20 percent of the Commission's staff at the beginning of fiscal year 1982. We are unable to determine at the present time if the downward trend in the contested case rate has stabilized.

Mr. Chairman, I view the mission of the Occupational Safety and Health Review Commission to be that of making an important contribution to the reduction in the number and severity of job-related injuries, illnesses, and fatalities. As Chairman of the Commission, I recognize my responsibility to carry out this mission as effectively as possible.

This concludes my statement. My staff and I are here to answer any question you may have.

Questions Submitted by the Subcommittee

Question: 1. Will you please reconcile the Commission caseload and OASHA's activity for each year since 1978?

Answer : The ratio of Notice of Contests received by the Commission as compared to the level of OSHA inspections since 1978 is as follows: The data is based upon fiscal year time periods.

Fiscal Year	OSHA Inspections	Notice of Contests	Percentage
1978	57,242	5,537	9.7
1979	57,969	6,938	11.8
1980	63,633	7,963	12.5
1981	56,997	3,739	6.6
1982	61,600	1,489	2.4
1983(Oct-Feb)	Not Available	415	---

Question: 2. How many of your Commissions have been appealed to the Courts?
What Percentage have been overturned by the Courts?

Answer : The appealate information is as follows:

OSHRC DECISIONS APPEALED BY NUMBER AND PERCENTAGE

FISCAL YEAR	ALJ DECISIONS	R.C. DECISIONS	CASES APPEALED	% COMMISSIONS DECISIONS APPEALED	% of 4/ COMMISSION & ALJ DECISIONS APPEALED
81	5,706	215	93	43%	1.6%
82	2,149	168	38	23%	1.6%
83 (Oct.-Feb.)	474	61	21	34%	3.1%

FISCAL YEAR	OSHRC AFFIRMED 1/	% 2/	OSHRC REV'D	% 3/	REMAND	PARTIAL 3/
82	25	89%	2	7%	1	0
83 (Oct.-Feb.)	8	100%	0	0%	0	0

1/ Includes withdrawals and dismissals of petitions for review.

2/ These percentages are the numbers of cases so disposed in a fiscal year over the numbers of cases issued by the courts of appeals in that fiscal year. The cases may not have been appealed in the same fiscal year.

3/ OSHRC affirmed in part and reversed in part.

4/ Includes decisions issued by Administrative Law Judges not

Question: 3. Please elaborate on the reduction in the Commissions review stages. In your opinion, does this reduction threaten the legal rights of the individuals involved in the case being reviewed?

Answer : It can be misleading to say that the number of stages of Commission review has been reduced. All that we have done is to install a less formalized procedure for editing draft decisions. Neither the old procedure nor the new one has any effect whatsoever on the legal rights of the parties in the case being reviewed. The change was an administrative one aimed at speeding up the issuance of decisions.

Question: 4. Has the caseload before the Administrative Law Judges increased or decreased between FY '81, '82 and '83? Why has there been a change in caseload?

Answer: The caseload of administrative law judges declined from 4,439 cases in FY '81 to 1,544 cases in '82. The caseload has dropped again in FY '83 to about 499 cases for the present period of FY '83. The decline in caseload is due to the diminution in contests and other controversies brought before the Review Commission. The main reason for the decline is considered to be a settlement policy of the Assistant Secretary of Labor that was developed in the preceding Administration and continued in the current Administration. The policy encourages the voluntary disposition of controversies concerning OSHA citations before the filing of a formal contest with the Review Commission.

Question: 5. How long does it take for a case to be heard by an Administrative Law Judge (ALJ)?
--- Is this a reasonable amount of time?
--- Has this time element increased and if so, why?

Answer: In conventional proceedings (those in which a full APA hearing has been held) the average time of disposition by an administrative law judge is approximately one year. This represents a slight increase in time of processing. This has been attributed to several factors: (1) The Assistant Secretary's success in achieving voluntary disposition of controversies before the filing of formal contests has reduced the number of "easy" cases coming before the Commission. (The disposition of "easy" cases has in previous years tended to lower the average time of case disposition); and (2) In the remaining cases the use of discovery is common. This is often time-consuming.

In cases decided without hearing, the average time of dispositions is about seven months. This includes decisions resulting from approval of settlements, and some decisions on motions to dismiss and motions for summary judgment or decision.

The Commission has a third category of cases called "simplified proceedings" in which the parties waive their rights to a more formal hearing and under which a conference/hearing is conducted. The average time of disposition in these cases disposed of by this less formal adjudication is about four months.

Question: 6. What is the longest amount of time elapsed for an Administrative Law Judge hearing? --- What is your oldest pending case pending before the ALJ's? Please review the reasons for the delay in decision.

Answer: The oldest pending case before an Administrative Law Judge is Docket No. 79-2304, *Chicago Zoological Society*. The case has been before the Administrative Law Judge for 1321 days. The reason for the delay in decision has been the pendency of litigation in the District Court for the Northern District of Illinois on some Fourth Amendment issues and the power of the Commission to decide some or all of them under the exhaustion of administrative remedies doctrine.

The Court issued its decision on February 28, 1983, and held that the Commission is to decide some of the Fourth Amendment issues. The case has now been scheduled for hearing.

Question: 7. Is your level of staffing sufficient to allow you to keep your caseloads both before the ALJ's and Commissioners current? If not, can you elaborate on your needs?

Answer: Yes. This opinion as to the caseload of the ALJ's is supported by the fact that the agency has demonstrated some margin in its capacity for adjudicating additional cases. In the past year, the agency has consented to the assignment of ALJ's in thirty-four cases of other agencies. If there were an unexpected surge in our cases, there would be a retrenchment in those handled for other agencies.

Question: 8. How do you plan to absorb the loss of 17 positiions? What effect will the loss of these positions have upon the operation of the Commission?

Answer : The present planning on absorbtion of the 17 position loss for FY 1984 is to not rehire those positions in which vanancies occur unless they are essential positions. Should attrition losses not be sufficient to enable the Commission to reach the OMB authorized full-time equivalent level for FY 1984, an analysis of the workload of the major program activities of the Commission will be made and staff reductions will be made based upon the workload analysis at that time.

It is anticiapted that the effects of the 17 position reduction will be minimal if at all affecting the Commission's ability to meet its mission. The continuing decrease in the Commission's new caseload combined with efficiencies gained from the Commission's reorganized and up-graded automatic data processing program have enabled the Commission to reduce its man-year requirements.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF ROSEMARY M. COLLYER, CHAIRMAN

ACCOMPANIED BY:
L. CLAIR NELSON, COMMISSIONER
RICHARD V. BACKLEY, COMMISSIONER

BUDGET REQUEST

Senator WEICKER. Next, we have the Federal Mine Safety and Health Review Commission.

I understand Chairman Nelson will make the presentation.

Ms. COLLYER. Senator, I am the Chairman of the Commission. My name is Rosemary Collyer. I will make the presentation.

Senator WEICKER. Rosemary, it is always nice to have a beautiful woman make a presentation. In fact, it is very dull around here. As a matter of fact, it is a great pleasure for your chairman.

Ms. COLLYER. That is how they make them in Connecticut, Senator.

Senator WEICKER. Was that your home State?

Ms. COLLYER. Yes, sir.

Senator WEICKER. Whereabouts?

Ms. COLLYER. Stamford.

Senator WEICKER. It has grown since you were there, no doubt.

Ms. COLLYER. It has certainly grown.

Senator WEICKER. And changed.

Please go ahead and make your presentation any way you see fit, and we will get to the questions.

Ms. COLLYER. Thank you very much.

Mr. Chairman, we are here today representing the Federal Mine Safety and Health Review Commission to present justification for our fiscal 1984 budget in the amount of $3,858,000. This budget request is a modest increase of $57,000 over our 1983 budget.

PAY SUPPLEMENTAL

However, also, we are requesting $115,000 as a pay supplemental to augment our 1983 budget.

INDEPENDENT AGENCY STATUS

The Commission is an independent agency with two tiers: We have administrative law judges who ride circuit to mine sites in order to try cases dealing with mine safety issues; appeals are to the five-member Commission. Appeals from the Commission are to Federal courts of appeals.

This year, for the first time since December 1979, we come to you with a full Commission of five members. We have also filled many of the vacancies that we left unfilled a year ago, when we spoke to this committee, because of budget constraints.

1982 BUDGET

Our 1982 budget was severely affected by action of this subcommittee. And we would request that you look more kindly upon this request for 1984.

We think that we have put ourselves in a position to be very lean and trim and fully capable of fulfilling our statutory mandate with the budget that we request of you. We would not be able to do it as well if there were cuts. We have nothing, in fact, that could be cut. This is a very lean budget request.

Beyond that, I would stand open for questions.

1983 BUDGET

Senator WEICKER. The total is what—$3,858,000?

Ms. COLLYER. Yes, sir.

1982 BUDGET

Senator WEICKER. As compared to $3.801 million. What was it for 1982?

Ms. COLLYER. For fiscal 1982, the official budget figure after December 17, 1982, was $3.319 million. However, because an increase in the pay cap was passed at the same time as the third continuing resolution, our effective budget was $3.1 million.

Senator WEICKER. But then 1983 would have represented a sizable increase, wouldn't it?

Ms. COLLYER. Yes, sir. The increase has partially resulted because of the increase in the pay cap again this year. All the judges, the commissioners, and a few other employees were affected by the lifting of the pay cap as voted by the Congress. The increase was also necessary because in 1982 we did not have a full Commission and we were forced to leave many positions vacant.

In fiscal 1983, we do have a full Commission, and we are filling some of those vacancies.

IMPACT OF MSHA BUDGET

Senator WEICKER. For fiscal year 1984, the Department of Labor is requesting $148 million for the Mine Safety and Health Administration. This is a decrease of $4.4 million and 224 positions from the fiscal year 1983 level.

If the Congress approves that decision which was due in part to proposed changes to the Mine Act, how is that going to affect your caseload?

Ms. COLLYER. The answer to that is somewhat complicated, Mr. Chairman. We project our caseload based on the inspections that

MSHA anticipates it will perform in a fiscal year. We use that figure in a model that then tells us how many penalty cases to anticipate. Penalty cases are primarily those initiated by the Secretary of Labor.

Besides those cases, there are cases initiated by mine operators, by miners claiming discrimination, or by miners' representatives and others filing claims for compensation. If MSHA were to reduce the number of inspections it performs, in fact, one might anticipate a decrease in our caseload.

It is my understanding of MSHA's budget proposal that MSHA would target those mines and operations with the worst safety records. If that were to happen, in fact, we may end up with more cases. This might result because the inspectors were giving more time and attention to places where unsafe conditions exist and where favorable attitudes toward compliance do not exist, where there is antagonism to the statute and to the agency.

So it is hard to answer your question. Logically, one might anticipate a decrease in caseload, but then again, if in fact they target unsafe and antagonistic operations, we may end up with an increased caseload.

We did not particularly take MSHA's budget request into account in projecting our own cases.

MINE INSPECTIONS

Senator WEICKER. The Department of Labor is proposing fewer inspections of all surface mines. You are making a distinction which I think is probably a valid one and it could be as a matter of percentage what you can have. But now, what about their stated policies of fewer inspections of all surface mines?

Ms. COLLYER. As I understand it, what the Secretary is requesting is discretion to focus his resources; to reduce the number of mandatory inspections for surface operations from two to one, but to allow him the discretion to focus on those operations with unsafe work records.

Therefore, he would spend more days, more inspection days, at unsafe operations and not have to spend his resources on the second inspection per year at a safe operation, an operation with a good track record. And it is on that basis I answer your question.

Senator WEICKER. And you don't feel it would be proper for this subcommittee to go ahead and anticipate less activity than translated by the Mine Safety and Health Administration and translate that into budget reductions for your Commission? You don't think that would be a wise course of action?

IMPACT OF REDUCED 1982 BUDGET

Ms. COLLYER. For two main reasons, I don't, Mr. Chairman. One reason is that it is my understanding that the budget request from MSHA has been thrown out the window, if I may use the vernacular, by both the Senate and the House. Therefore, it is very unlikely that the agency's reduced budget will pass.

The second is that what you describe is what happened to us in 1982. The former chairman of this subcommittee wanted to reduce MSHA's inspection activity and, therefore, cut its budget. On the same theory that you now propose, he also cut our budget.

The dangers of mining, as well as the politics of the situation, restored MSHA's budget. Our budget was not restored despite many statements from committee members that it would be. And, therefore, we were laid flat.

There was a newspaper article about it last year that suggested the Commission was, in fact, "mugged" by the U.S. Senate. With all deference to you as the new chairman of this subcommittee, I would say that our budget request is completely separate and distinct from MSHA's. We are a separate line item because we are a separate, autonomous agency. We have separate responsibilities from the Mine Safety and Health Administration.

And I would request that you look at our budget as a separate and distinct item.

Senator WEICKER. Well, now, let's assume the fact you were mugged last year and——.

Ms. COLLYER. That is a difficult statement to make directly to you, Mr. Chairman.

Senator WEICKER. Let's assume that fact. Then shouldn't we probably be doing something to restore you to the position that you had prior to your being mugged? In other words, is what you are asking for here adequate to do the job?

Ms. COLLYER. It is, sir, because we were successful in 1983 in restoring the amount of money that we needed in order to operate efficiently. And so we did in fact increase our budget.

Senator WEICKER. You know, what you are saying by that, you are going to give credence to the mugging tactic as to achieving certain ends. I am not so sure we ought to let you do that.

Ms. COLLYER. It certainly would have been easier for all concerned had the "mugging" been stretched out with a little more management forethought to it rather than the abrupt nature of what happened to us on December 17, 1981.

But, of course, the Senate acted for its reasons, and we were left with coming up with a solution. Nonetheless, we have survived. We suffered greatly early last year in efficiency and morale. But we pulled ourselves back together, and we are now quite ready to proceed.

PREPARED STATEMENT AND SUBMITTED QUESTIONS

Senator WEICKER. All right, Rosemary, I thank you very much for your testimony.

And there might be further questions from the committee for response to the record.

And I think that you can probably expect that you will receive at the minimum your request. If there is any special activity that we feel might be increased, staff will be in touch with you.

Ms. COLLYER. I appreciate that. Thank you very much, Mr. Chairman.

[The information follows:]

STATEMENT OF ROSEMARY M. COLLYER

Mr. Chairman, it is a pleasure to appear before you and the Committee to present justification for our fiscal year 1984 budget request in the amount of $3,858,000.

This budget request is a very modest $57,000 more than our fiscal year 1983 budget. The additional funding will be needed to maintain current services and cover routine increases which can be only partially offset by projected savings in some areas.

Permit me to note that our present budget authority for FY 83 is $3,801,000. This amount includes a Pay Supplemental in the amount of $115,000 for fiscal 1983 to cover the costs associated with the increased pay cap for executive salaries. We have absorbed the 4% pay raise granted to Federal employees last October 1 without requesting any additional funding.

We believe that we will be able to fulfill our role in resolving enforcement disputes between the Secretary of Labor and the operators of the nation's mines, and provide a forum for resolution of discrimination claims by miners, with the budget we are requesting.

For the sake of clarity, let me note that the Commission is a fully independent agency and not in any way part of the Department of Labor or the Mine Safety and Health Administration.

The Commission is presently operating with twelve administrative law judges and, for the first time since 1979, a full Commission of five members. The administrative law judges conduct hearings and issue decisions in contested cases initiated by the Solicitor of Labor, mine operators, miners or miners' representatives. The judges are also required by the Mine Act to evaluate and approve settlement agreements. We have two offices of administrative law judges: one in Falls Church, Virginia and one in Denver, Colorado.

The Commission is charged with the responsibility of reviewing the enforcement activities of the Secretary of Labor and protecting miners against unlawful discrimination. The Commission's functions include reviewing administrative law judge decisions, ruling on Petitions for Discretionary Review, and issuing decisions that affirm, modify or vacate decisions directed for review. If not reviewed, an administrative law judge's decision becomes a final order of the Commission.

Under the Thiird Continuing Resolution of fiscal 1982, the Commission's budget was reduced by the Senate Appropriations Committee from $4,486,000 to $3,319,000. The lifting of the pay cap last year effectively reduced this figure even further. As a result, we terminated 22 employees, curtailed travel except for emergency hearings and effected other savings throughout the agency. The abrupt nature of our reduction in force - and budget - slowed decision-making on both levels of Commission activity (trials by the administrative law judges and review by the Commissioners) for the first part of fiscal 1982. We are now, however, completely prepared to fulfill our statutory role in an efficient, cost-effective manner.

We began fiscal 1982 with 1,698 pending cases and received 1,553 new cases during the year. Of these, 1,635 were disposed of prior to hearing, by settlements approved by the administrative law judges, and 417 were fully tried prior to decision. At the close of the year, the pending caseload was reduced to 1,199.

Petitions requesting review of administrative law judges' decisions were filed in 78 cases during the 1982 fiscal year. The Commissioners voted to grant review in 51 of these cases. In addition, the Commission directed review of one case in which a petition had not been filed. The Commission issued decisions or orders disposing of 104 cases during the year. Fifty-two cases were pending review at the year's close.

Our statistics indicate that our caseload before the administrative law judges is directly tied, as one would expect, to the number of producing mines available for inspection by the Department of Labor's Mine Safety and Health Administration (MSHA). The decline in the minerals market has led to mine closures and production slowdowns throughout the non-coal industry. These facts are reflected in the 62% drop in the number of non-coal cases filed with our judges last year, compared to FY 81.

We anticipate a small increase in the number of new cases filed this year, as the minerals market, particularly precious metals, begins to recover. Additional cases will also come to the Commission from sand and gravel operations which were affected by the non-enforcement policy mandated by appropriations riders for MSHA in fiscal 1982. We expect that 1,700 new cases will be filed during 1983 and project that 1,700 cases will be disposed of by the administrative law judges. This will leave a balance of 1,199 cases at the end of the year. We project a reduction in the disposition rate because we have four fewer judges to hear and decide cases and because we no longer have law clerks to assist the judges.

Based on current estimates of mine inspections by MSHA to be performed in FY 84, we anticipate receiving 1,700 new cases in that year also. This number may increase as mines reopen and inspection activity increases.

We anticipate a similar increase in cases called for review before the Commission in fiscal year 1983. Eighty-seven Petitions for Discretionary Review are expected in FY 83, with full review directed in 63 cases. The percentage of cases warranting full review has steadily increased, from 47% of the petitions filed in FY 81 to 65% of all petitions in FY 82, and 72% projected for fiscal 83. We expect that the Commission will direct review in three instances without the filing of a petition. Similar numbers are presently projected for fiscal year 1984.

The status of the Commission has improved substantially since we appeared before this Subcommittee last year. We now have five Commissioners, a General Counsel and an Executive Director. We are no longer dealing with the dislocation of a major reduction in force. Rather, we are a tight, efficient group, able to provide the neutral adjudication sought by the parties before us. We have worked very hard this year to become both efficient and effective and I can proudly say that every employee of the Commission has contributed to that effort. In our modest way, we are truly a success story in the President's drive to reduce the size and cost of government while providing the necessary services.

Our budgetary request for fiscal year 1984 will not add unnecessary costs or personnel to the Federal budget. With the requested appropriation, we shall continue to provide prompt, fair disposition of cases.

Thank you for the opportunity to present this statement. I will be pleased to respond to questions from the Committee.

BIOGRAPHY OF ROSEMARY M. COLLYER

Rosemary M. Collyer
Chairman
Federal Mine Safety and Health Review Commission
1730 K Street, N. W., Sixth Floor
Washington, D.C. 20006
Telephone (202) 653-5644

EDUCATION:

Legal - University of Denver College of Law (J. D. - 1977)

College - Trinity College (B.A. - cum laude - 1968)

PROFESSIONAL EXPERIENCE:

November 1981 to date	Chairman, Federal Mine Safety and Health Review Commission
1977 - 1981	Attorney, Sherman & Howard, Denver, Colorado
1973 - 1974	Writer/Instructor, Personnel Predictions & Research Inc., Denver, Colorado
1972 - 1973	Creative Director, Pennington & Richard Associates, Denver, Colorado (Public Relations Firm)
1971 - 1972	Director of Public Relations, The Manlius Pebble Hill School, Manlius, New York
1969 - 1970	Staff Reporter, The Canadian Register, Toronto, Ontario

PROFESSIONAL MEMBERSHIPS:

Colorado Bar Association
Denver Bar Associaton
American Bar Association

BIOGRAPHY OF RICHARD V. BACKLEY

Richard V. Backley
Commissioner
Federal Mine Safety and Health
Review Commission
1730 K Street, N. W., 6th Floor
Washington, D.C. 20006

EDUCATION:

Legal - DePaul University (LL.B. - 1955)

College - DePaul University (B.A. - 1951)

PROFESSIONAL EXPERIENCE:

October 1980 - November 1981	Chairman, Federal Mine Safety and Health Review Commission
September 1978 - Present	Commissioner, Federal Mine Safety and Health Review Commission
December 1975 - September 1978	Administrative Law Judge, Civil Aeronautics Board
June 1975 - December 1975	Administrative Law Judge, Social Security Administration
1974 - 1975	Assistant Solicitor, Division of Mine Safety and Health
1970 - 1974	Senior Trial Attorney, Division of Mine Safety and Health, Department of the Interior
1967 - 1970	Attorney-Advisor, Office of the Solicitor, Department of the Interior
1960 - 1967	District Attorney and Chief Prosecutor, Trust Territory of the Pacific
1957 - 1959	Trial Attorney, Montgomery Ward
1955 - 1957	Private Practice

PROFESSIONAL:

Member, State of Illinois Bar

BIOGRAPHY OF L. CLAIR NELSON

L. Clair Nelson was elected senior vice president for Champion International Corporation in 1972, after serving as vice president-general counsel since 1967. He had joined the Papers Division in 1955 as associate counsel and then subsequently advanced to vice president and general counsel.

A native of Logan, Utah, Mr. Nelson earned his bachelor of science degree in business administration at Utah State University and juris doctor degree at George Washington University Law School in 1947.

In 1940, while in law school, he became legislative assistant to Senator Elbert D. Thomas of Utah. He served with the Army for 4 1/2 years during World War II, was discharged as a major in 1946 and returned to the staff of Senator Thomas for a year following his separation from active duty.

Upon graduation from law school, Mr. Nelson served as law clerk to Judge Bennett Champ Clark in the U. S. Court of Appeals in Washington, D.C., for a year before joining the Washington law firm of Moyle & Wanlass in June of 1948.

In 1951 and 1952, Mr. Nelson served as counsel for the Committee on the Judiciary of the United States Senate. He then returned to private practice as a partner in the law firm of Moyle, Nelson & Cotten in Washington, D.C.

He is a member of the Bar in the States of New York, Ohio and Utah, as well as the District of Columbia, and is an Associate Member of the Connecticut Bar Association. Active in the American Bar Association, he served on the executive council of its Administrative Law Section from 1956 to 1959 and its Section of Natural Resources Law from 1964 to date, and as chairman of the latter group in 1968-69. He was a member of the ABA House of Delegates from 1970 to 1974; served as a member of the ABA Committee on Ethics and Professional Responsibility from 1974 to 1980, the ABA Commission on Advertising, and continues to serve on the ABA Commission on Evaluation of Professional Standards which is working on a revision of the lawyers' Code of Ethics.

In November of 1981, Mr. Nelson was elected by the Board of Governors of the American Bar Association to the position of Assistant Treasurer. Thereby he serves as a member of the Finance Committee, Resource Development Committee, Relocation Committee, and the Planning and Development Committee of the ABA and on the Board of Directors of the American Bar Retirement Association.

Mr. Nelson is a member of the American Law Institute, the Association of General Counsel, the President's Advisory Council at Utah State University, and of the Fellows of the American Bar Foundation. He has also served as a public member of the Administrative Conference of the United States, as a member of the Legal Advisory Committee of the National Association of Manufacturers, and on the Board of Visitors of the Brigham Young University Law School.

Headquartered in Stanford, Connecticut, Champion is a major forest products enterprise whose operating divisions manufacture and distribute lumber, plywood and other wood building materials, printing papers and paper and paperboard packaging.

Appointed by President Reagan to Federal Mine Safety and Health Review Commission and was sworn in on October 6, 1982. The appointment was confirmed by the United States Senate on December 21, 1982.

BAR ASSOCIATION PROFESSIONAL ACTIVITIES:

American Bar Association

Assistant Treasurer 1981 -

Member, Finance Committee 1982 -
Relocation Committee 1982 -
Planning and Management Committee 1982 -
Resource Development Committee 1982 -

Member, Board of Directors, American Bar Retirement Association 1982 -

Section of Administrative Law:
Vice Chairman and Chairman, National Committee 1952-1955
Elected to Council 1955-1958

Member, Section of Antitrust Law

Section of Natural Resources Law:
Chairman, Timber and Vegetative Resources Committee 1960-1962
Elected to Council (unexpired term plus full term) 1962-1966
Vice Chairman 1966-1967
Chairman-Elect 1967-1968
Chairman 1968-1969
Section Delegate to House of Delegates 1970-1974
Chairman, General Advisory Committee 1974-1975
Budget Officer 1976-1982

Member, Section of Legal Education and Admissions to the Bar, Member of Nominating Committee 1980-1981

Member, Section of Corporation, Banking and Business Law

Standing Committee on Ethics and Professional Responsibility 1974-1980
Chairman 1978-1979
Liaison to Commission on Advertising 1978-1980
Liaison to Commission on Evaluation of Professional Standards 1979-1980

Member, Commission on Evaluation of Professional Standards 1980-

District of Columbia Bar Association:

Elected to Council, Junior Bar Association 1951-1953
Chairman 1953-1954
Junior Bar Representative on Board of Directors 1954-1955

Ohio Bar Association:

Chairman, Corporate Counsel Institute (which evolved into Corporate Counsel Section of Ohio State Bar Association)

New York Bar Association:

Member, Section of Antitrust Law

Connecticut Bar Association:

Chairman, Corporate Counsel Committee 1979-1980

Utah State Bar Association

OTHER PROFESSIONAL ACTIVITIES:

American Law Institute
Association of General Counsel
Board of Visitors, Brigham Young University 1977-1980
The Fellows of American Bar Foundation
Legal Advisory Committee of National Association of Manufacturers
National Advisory Council of Practicing Law Institute
President's Advisory Committee, Utah State University
Public Member, Administrative Conference of U.S. 1972-1974
Westchester-Fairfield Corporate Counsel Association

OTHER:

The Barristers, Washington, D.C.
The University Club, Washington, D.C.
Sigma Chi Fraternity (Life Member)
Rotary Club of Washington, D.C.

Questions Submitted by the Subcommittee

QUESTION: On page 10 of your justification you state "we project a reduction in the disposition rate because fewer Administrative Law Judges are now available and because fewer cases brought to litigation now tend to be more difficult and less likely to settle easily". How do you reconcile this statement with the remarks made at close of your prepared statement referring to being a success story in the President's drive to reduce costs of government?

ANSWER: To explain more fully: Although in FY 82 our administrative law judges issued final decisions in 2,052 cases, we do project a small decrease to 1,700 final decisions in fiscal 84, partly because of case complexities and partly because we have fewer judges and no law clerks. However, our success is real: we project an ability to remain current with our caseloads and to provide timely, neutral adjudication of mine safety cases with fewer employees and at less cost to the government and the American taxpayer.

QUESTION: Can you provide this Subcommittee with a 5-year history of your travel budget. How does a restriction on the ability of travel reflect upon your efficiency in hearing and deciding cases?

ANSWER:

Fiscal Year	Amount	
1978	$ 27,000	Agency travel was performed entirely by administrative law judges for only part of this year. Commission created effective 3/9/78 and Commissioners not confirmed until September 1978. Much of the first 6 months was spent by a committee of the judges organizing the new agency until a Chairman arrived.
1979	83,000	
1980	143,000	
1981	134,000	
1982	65,000	Travel was severely curtailed for five months because of budget constraints.

Travel is an absolute necessity for the operation of the Commission. Our judges travel to or near mine sites where alleged violations occurred in order to fulfill the Congressional mandate that miners and miners' representatives be encouraged and allowed to fully participate in all litigation.

When the judges cannot travel, trials can only be held in our Falls Church, Virginia and Denver, Colorado offices of administrative law judges. These two locations restrict the ability of most mine operators and miners to contest actively the enforcement of the statute by the Department of Labor. The cost to the government for travel to hearing sites is, of course, only for the cost of the judge's trip itself. All litigants bear their own litigation costs.

A small portion of the travel budget is allocated for administrative handling of our offices and for travel by the Commissioners to attend or speak at various conferences and to tour mining operations. These contacts are extremely valuable in keeping the review function in touch with the developing technology of mining.

QUESTION: Please explain why you have requested a $21,000 increase in Communications and Utilities. Also, display how much for each item.

ANSWER: The major increase anticipated for fiscal 1984 in Communications is the cost for FTS services. Small increases are budgeted for postage, telephone and rental of office equipment. The specific breakdown is as follows:

		Increases
Charges for FTS FY 83: 48,900 FY 84: 64,900		+16,000
Local and Long Distance Calls FY 83: 48,000 FY 84: 50,400		+ 2,000
Rental of Office Equipment FY 83: 38,000 FY 84: 39,000		+ 1,000
Postal Service FY 83: 28,000 FY 84: 30,000		+ 2,000
Data Processing	17,000	-0-
Other Rental Space (Hearing Sites)	5,000	-0-
Telecommunications	4,000	-0-
TOTALS:	FY 83: 188,900 FY 84: 210,000	

QUESTION: What is meant by "Other Services"? Please explain your request for a $20,000 increase in this item.

ANSWER: The object class Other Services encompasses a wide range of relatively minor individual expenses which are grouped for ease of budget and referral. A specific outline of each item follows with the increases and savings noted.

Expense Item	Request	Change
Reporting Services	136,100	same
Space Alteration	1,500	-3,500
Payment to Other Agcys.	56,000	+1,000
Training	15,000	+5,000
System Programs	7,500	-2,500
Data Process	4,000	same
Investigation	2,500	+1,000
Equipment Repair & Maint.	14,700	same
Index	30,000	+20,000
Misc.	4,000	-1,000

QUESTION: Please supply the Committee with a chart that displays your budget request and appropriation history. Please plan to provide this chart each year as part of your budget justification.

ANSWER:

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
BUDGET REQUEST AND APPROPRIATION HISTORY

Year	Budget Request*	Appropriation
1978**		1.185
1979	4.918	4.776
1980	4.770	4.582
1981	4.617	4.344
1982	4.493	3.319 plus .225 Pay Supplemental
1983	3.686 plus .115 Pay Supplemental	3.686 as of 4/5/83
1984	3.858	

* Amounts in millions of dollars

** The Commission was created as an independent adjudicatory agency under the terms of the Federal Mine Safety and Health Act of 1977, effective March 9, 1978. No information is available as to a Budget Request for that year since the Commissioners themselves were not confirmed until September 1978. The amount under Appropriation reflects actual expenditures in fiscal 1978.

QUESTION SUBMITTED BY SENATOR WILLIAM PROXIMRE

QUESTION: How has your workload decreased now that you no longer have jurisdiction over sand and gravel enforcement?

ANSWER: The Federal Mine Safety and Health Review Commission is a completely independent adjudicatory agency, created by the Federal Mine Safety and Health Act of 1977 to resolve enforcement disputes between the Department of Labor's Mine Safety and Health Administration (MSHA) and the Nation's mine operators and miners. The Commission is autonomous and separate from the Department of Labor.

The Fiscal 1982 budget process did include, for a period of time, a limitation on MSHA's spending authority; after December 1982 no monies were to be spent on enforcement against sand and gravel operations. This limitation was removed by Congressional action on July 18, 1982.

No similar limitation was imposed on the Commission. Sand and gravel cases pending before the Commission continued with full force and effect. Naturally, the number of incoming sand and gravel cases gradually decreased since MSHA was no longer inspecting those operations. Prior to the Fiscal 1982 appropriations limitation on MSHA, sand and gravel cases constituted between 10% and 15% of the Commission's trial docket. This percentage gradually decreased as cases were disposed of throughout Fiscal 1982 and no new sand and gravel cases were filed by the Department of Labor. Now that enforcement by MSHA has resumed, the Commission anticipates an increase in sand and gravel cases particularly as highway construction increases.

PRESIDENT'S COMMISSION ON THE STUDY OF ETHICAL PROBELMS IN MEDICINE AND BIOMEDICAL AND BEHAVORIAL RESEARCH

Senator WEICKER. Next is the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research.

Now, do we have the President's Commission on the Study of Ethical Problems in Medicine?

I would appreciate it if the staff would attempt to contact the President's Commission for the Study of Ethical Problems in Medicine as to what it is they intend in the way of their budget.

VOICE. Sir, the Commission is scheduled to go out of existence.

Senator WEICKER. Are you representing them?

VOICE. No; it is just for information.

Senator WEICKER. The hearing will stay open while this matter is discussed. The committee has not made that determination. It is still up before the authorizing committee. And the matter should be appropriately referred to this committee.

So again, I would suggest staff make contact with the Commission. It could very well be, I might add, that they could be continued.

I would say right now, in the Labor and Human Resources Committee there is a 50/50 shot—that is exactly where the vote is. Under those circumstances, I think there should be a budget presentation made before the committee.

So if the committee staff would contact them, I would appreciate it.

[CLERK'S NOTE.—The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question. In your statement you have indicated that you produced 10 substantive reports and will issue a final report next week. Do any recommendations in this report call for congressional action?

Answer. The President's Commission's final report, summing up, does not present new recommendations. Rather, it reviews each study performed by the Commission and presents the findings and conclusions on each subject and their current status in Congress, the Federal agencies, and State and private bodies.

Question. Were you able to complete your mandate?

Answer. Yes; in fact, the Commission also undertook three additional studies not specified in its statutory mandate: genetic engineering in human beings (at the request of the President); compensating injured research subjects (at the request of the Secretary of Health and Human Services); and decisions about life-sustaining treatment (on the Commission's own initiative, as an outgrowth of several of the mandated studies, including "definition" of death and informed consent).

Question. Were there other subject areas that might have been discussed?

Answer. There are countless ethical issues in biomedical practice and research that deserve attention. Our final report (pp. 83–86) mentions several—the remarkable changes now occurring in reproductive technology; advances in the neurosciences that hold great potential for understanding and modifying human behavior; and the control of aging—as examples of subject areas that a future commission might want to investigate.

Question. Have you finished your work?

Answer. Yes.

Question. Was your budget adequate for the task you were asked to undertake?

Answer. Not entirely. The Commission was authorized to spend $20 million over 4 years. It actually operated for a little more than 3 years and was appropriated approximately $4 million. There were two problems with the funding, one small and one large. The small problem was covering the additional 3-month period (from January 1 to March 31, 1983) when the Commission's life was extended after its original "sunset date" of December 31, 1982; since no additional funds were provided, the Commission operated for 18 months on a 15-month appropriation. The larger problem was that the budget contained funds sufficient for only one large-scale empirical project out of the 10 subject areas addressed by the Commission. The Commission's relatively short lifespan, and the need to seek annual appropriations, also made such empirical work difficult, which is regrettable since the one project conducted (on public and professional attitudes toward, and understanding of, informed consent) demonstrated the great value of such undertakings.

Question. How much funding would you need to continue the Commission?

Answer. The basic operations of the Commission—monthly meetings/hearings (primarily in Washington but also in other locations), a modest-sized professional and support staff, public outreach activities (including publication and distribution of reports, minutes, et cetera) and small-scale or theoretical studies—required funding of about $1.3 to $1.6 million per annum. Were a successor body to be created, a larger budget would permit it to engage in more empirical work (on subjects not studied in this fashion elsewhere in the Federal Government or by other private or public groups), which could be of enormous value if properly selected and conducted.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until Tuesday, April 5, to begin our hearings with the Department of Health and Human Services.

[Whereupon, at 9:40 a.m., Tuesday, March 22, the subcommittee was recessed, to reconvene on Tuesday, April 5.]

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